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No 'There She Is!' for China

Beauty Pageant Plans Are Curtailed by Ideology

By Edward A. Gargan. BEIJING — In 1947, Daisy Wang walked away with Shanghai's beauty crown — its last. After civil war, communism came in 1949 and with it, proletarian morality and a conviction that in the workers' and peasants' paradise, beauty was bourgeois.



President Ronald Reagan and his wife take shelter under umbrella as he makes a statement before leaving for the trip to Moscow, which includes a stop in Finland to recover from jet lag before the talks with Mikhail S. Gorbachev. They arrive in Moscow Sunday.

Israel Hits Shiites in Lebanon

Planes and Tanks Aid Militia Raids; Sidon Is a Target

By Joel Brinkley. JERUSALEM — Israeli Air Force and artillery units along with Lebanese Christian militiamen attacked a Shiite Moslem stronghold in southern Lebanon on Wednesday in the second attack against pro-Iranian Hezbollah forces in three weeks.

Soviets Disclose Afghan Toll

13,310 Die In Conflict

By Michael Dobbs. MOSCOW — The Soviet Union provided the first official casualty figures for its occupation of Afghanistan on Wednesday, announcing that 13,310 Soviet soldiers had been killed in the eight years of fighting.

Reagan Reported Firm on SDI Testing

By Michael R. Gordon and John H. Cushman Jr. WASHINGTON — President Ronald Reagan is heading for the Moscow summit conference apparently determined to resist any proposals that would limit the Pentagon's plans to test anti-missile systems in space.

Helms Yields on INF Pact

WASHINGTON — The main congressional opponent of the INF Treaty conceded Wednesday that he had been defeated, possibly clearing the way for Senate approval of the accord before President Ronald Reagan's meeting with Mikhail S. Gorbachev this weekend.

Kiosk

Gadhafi Says Chad War Ends

BELGRADE (AP) — Colonel Muammar Gadhafi, the Libyan leader, declared an end to his country's war with Chad on Wednesday, the official Yugoslav press agency Tanjug reported.

U.S. Deficit Shrinks

The U.S. trade deficit shrank 12.7 percent in the first quarter of 1988, to \$35.95 billion, the biggest improvement in five years, the government said Wednesday. (Page 15)

Rift Delays Soviet Vote On Co-ops

By Bill Keller. MOSCOW — The Supreme Soviet, normally a docile forum that ratifies the Communist Party's will by unanimous shows of hands, found itself with an unexpected tax revolt on its hands on Wednesday.

Shultz Reports Collapse of Plan To Drop Noriega

WASHINGTON — Negotiations aimed at removing General Manuel Antonio Noriega from power in Panama have broken down, Secretary of State George P. Shultz announced on Wednesday, and the United States has withdrawn its offer to drop drug charges against him.



VICTIM OF KOREAN FIREBOMB — Flames engulf an elderly Korean woman after students hurled firebombs at police during anti-government demonstrations in Seoul on Wednesday. South Korean officials said she was not seriously injured and was released after examination.

'Sick Building' Illness A New Office Syndrome

By Michael Weisskopf. WASHINGTON — When Bobbie Lively-Diebold enters her office her lips, ear canals, throat and eyes burn. Her vocal cords swell so that she cannot speak. The room seems to spin in slow motion and she strains for every breath, wheezing like an asthmatic.

Britain's Parliament Barely Preserves Its Dignity

By Francis X. Clines. LONDON — Parliament is only in its eighth century of existence, but still the 1988 session is turning into a collector's item, with muddling reported in the House of Commons shower room and, of even greater prurient interest for the avid British politician watcher, naked power-broking displayed on the floor of the House of Lords.



Hana Mandlikova, eighth seed in the French Open, checking the scoreboard in her match Wednesday against Bettina Fulco. It showed her losing. Page 17.

General News

An Iraqi offensive drove Iranian forces from their foothold near Basra. Page 7. Business/Finance Britain said it would allow Nestlé of Switzerland to proceed with its takeover bid for Rowntree. Page 9. Nippon Telegraph & Telephone reported a 64.3 percent increase in profits. Page 11.

Table with financial data including Dow Jones, The Dollar, and various stock indices.

Vertical text on the left margin including 'Loses', 'EMPLOYMENT', 'ACCESS VOICE', 'Page 4 FOR MORE CLASSIFIED', 'ET', 'PAY MORE', and 'VOLVO'.







# Mrs. Reagan Stands By Her Man, Avidly

## Despite Gossip, Ridicule and Dread, She Continues as His Closest Adviser

By Julie Johnson  
New York Times Service  
WASHINGTON — She has been vilified and ridiculed, gossiped about and even dreaded by some who work in the White House, but Nancy Reagan remains the president's most influential and trusted adviser.

The extent of her influence, now the center of attention after unflattering disclosures in three new books, may never be known.

Not one current White House official will comment publicly. Truths about Mrs. Reagan are all the more elusive because in many cases people in the White House who would talk about her had their own biases. Mrs. Reagan did not consent to an interview.

There is no doubt, however, that she continues to make her views known on important issues.

A diplomat close to the negotiations involving General Manuel Antonio Noriega of Panama described Mrs. Reagan as opposed to an arrangement that would allow him to step aside in return for dismissal of a federal drug-trafficking indictment against him.

Mrs. Reagan reportedly feels such an arrangement would undermine the credibility of her own campaign against drug abuse and might damage her husband politically.

Interviews with nearly two dozen current and former White House aides and friends of the Reagans offer snapshots of Mrs. Reagan's personal involvement in policy and reinforce her public image as a keen protector of Ronald Reagan's image and health.

For example, Mrs. Reagan urged the president to consider appointing a homosexual to his advisory commission on AIDS. In the White House, when a homosexual New York geneticist, Frank Lilly, was named, it was widely viewed as a defeat for Gary L. Bauer, a senior policy adviser. He earlier had said he would be "very surprised if an administration opposed to making appointments on the basis of race or sex would agree to make an appoint-

ment based on bedroom habits." Mr. Lilly was appointed "because the first lady said so," an administration official said.

She initially supported Judge Robert H. Bork when he was nominated to the U.S. Supreme Court but shifted after controversy erupted over his judicial philosophy. "She expressed a legitimate point of view, and that was since the votes were against Bob, he should have withdrawn," said Senator Orrin G. Hatch, Republican of Utah. Judge Bork's nomination was defeated in the Senate.

She has been credited with heightening White House concern about the widespread use of drugs. Further, she has been instrumental in suggesting presidential appearances on the drug issue. She regularly confers by telephone with Dr. Ian MacDonald, the White House drug policy adviser.

White House insiders confirm accounts in newly published books by Donald T. Regan, a former White House chief of staff, and Larry Speakes, a former White House spokesman, that she wanted some top officials dismissed, either because she thought them incompetent or because they had become entangled in controversy.

As recounted by Michael K. Deaver, a former deputy White House chief of staff, in a book published last year, Mrs. Reagan became concerned in the early years of the administration that the press was portraying her husband as a warmonger. She suggested he soften his oratory on the Soviet Union. Currently, her main concern is making sure that the Moscow summit meeting is a success for her husband.

Charles Z. Wick, director of the U.S. Information Agency, a longtime friend of the Reagans, rejected the notion that the first lady is a "Lady Svengali."

Acknowledging his own bias in favor of Mrs. Reagan, Mr. Wick said recent books and news accounts of her influence had overlooked the nature of the Reagans' long marriage.

"What could be more ideal than to think out loud or to share ideas

I see the first lady as another means to keep a president from becoming isolated.



Betty Thomas/The Associated Press

with someone whose judgment you trust?" Mr. Wick asked. "She has great influence — in the sense of proximity. She has access to him."

In the books by Mr. Speakes ("Speaking Out") and Mr. Regan ("For the Record"), Mrs. Reagan emerges as a queen bee and a superstitious manipulator whose input was viewed as interference rather than help.

Mr. Deaver's book, "Behind the Scenes," is somewhat less damaging in its portrayal of Mrs. Reagan, whom Mr. Deaver characterized as a "compulsive user of the telephone."

But, for all their glimpses into the White House, these books raise more questions than they answer, according to some who have read them and not liked them.

"I think the criticisms that have been lodged against her have been lodged by a bunch of scolds," said Senator Hatch, a conservative supporter of the president. "You've got two good old boys coming down on a very faithful wife in a very reprehensibly sexist way."

Former White House and Reagan campaign aides assert that Mrs. Reagan is not as uncomplicated as she is portrayed. Said Sheila Tate, Mrs. Reagan's former press secretary: "Guess what? She's got more than one dimension."

Elaine Crispin, Mrs. Reagan's current press secretary said: "He shares advice with her and she shares it with him. She's not going

to apologize for that. It's a marriage as well as a president and first lady."

Officials in the White House West Wing, where the president's senior staff members work, deny that Mrs. Reagan has any direct influence on policy.

She is said, by several sources, to "work the phones" and continues to be in contact with the president's staff. She regularly calls, among others, Howard H. Baker Jr., the White House chief of staff, and Kenneth M. Duberstein, his deputy.

For her part Mrs. Reagan has acknowledged frequent use of her "trusty telephone."

"I see the first lady as another means to keep a president from becoming isolated," Mrs. Reagan said in a speech in New York last year.

Describing the role of a president's wife, she continued: "Don't be afraid to look after your husband or to voice your opinion, either to him or his staff. In spite of a White House full of people taking care of various aspects of a president's life, you're the one who knows him best."

# 'A War Footing' on Drugs Urged in U.S.

By Michael Isikoff  
Washington Post Service

WASHINGTON — The U.S. customs commissioner, William Von Raab, a key figure behind the creation of President Ronald Reagan's "zero-tolerance" policy of fighting narcotics, has called for even sterner measures, including placing the United States "on a war footing."

Zero-tolerance means a policy of arrest and confiscation of property such as boats for the discovery of even the slightest amount of drugs. To demonstrate that he means business, the Customs Service has drafted some novel recommendations for Mr. Reagan.

They include selling "drug-war bonds," setting up special courts to prosecute drug users and traffickers, eliminating more lenient treatment for juvenile drug offenders and instituting an income tax checkoff so taxpayers can help finance drug fighting programs.

Some customs officials have suggested going even further, such as attempting to portray anybody who displays a tolerant attitude toward drug use as a "traitor."

In an interview on Tuesday, Mr. Von Raab declined to discuss his latest proposals, saying he first wanted to forward them to Attorney General Edwin Meese 3d.

The proposals will constitute the formal recommendations of the Customs Service, the government's main agency in intercepting drugs, to the National Drug Policy Board, an appointed panel charged with coming up with new ideas in the battle against narcotics.

But generally, he said, "You must treat it like a war — total mobilization, total commitment. When you fight a war, every man, woman and child should be mobilized to the effort."

"Before Munich, all the diplomats hoped around the world that Hitler was a nice guy and we would be able to deal with him," he added. "I believe that in this, there's going to have to be a basic difference in attitude adopted."

This is not the first time that Mr. Von Raab has proposed tougher measures in the fight against drugs.

Last year, he recommended that the Customs Service and the Coast Guard be authorized to shoot down airplanes suspected of drug smuggling, if the pilots ignored orders to land. The proposal was rejected by the Justice Department.

It appeared that some of the new ideas, such as selling drug-war bonds, might meet a similar fate. "I think he's going a little far afield," said Representative Larry Smith, Democrat of Florida, chairman of the International Narcotics Task Force for the House Foreign Affairs Committee. "You can only go so far before this becomes a fetish."

**Meese Denies Shift**  
Earlier, the Los Angeles Times reported from Washington: Attorney General Meese has rejected suggestions that a curb on

the seizure of boats carrying drugs indicated a softening of the "zero-tolerance" policy.

Zero tolerance continues to be policy both inside and outside the 12-mile coastal limit. Mr. Meese said to reporters at the Department of Justice.

Under a change disclosed this week, vessels beyond 12 miles will be seized for carrying drugs only if there is evidence of intent to smuggle them into the United States. Such evidence could consist of substantial quantity of drugs aboard the vessel, Mr. Meese said.

Inside the 12-mile limit, possession of any amount of narcotics is illegal, he said, and could be ground for confiscation of the boat.



William Von Raab

## Top Meese Aides Nominated After Difficult Search

Los Angeles Times Service  
WASHINGTON — Nearly two months after two top-level Department of Justice officials resigned to distance themselves from Attorney General Edwin Meese 3d's legal difficulties, President Ronald Reagan has nominated replacements for them.

Harold G. Christensen, a Utah lawyer, has been named to replace the former deputy attorney general, Arnold I. Burns. Edward S.G. Dennis Jr., the U.S. attorney in Philadelphia, has been named to head the Criminal Division, succeeding the former assistant attorney general, William F. Weld.

Their nominations end several weeks of difficult efforts to seek candidates who were qualified and willing to take the jobs.

Senate Judiciary Committee aides said the panel would probably take no action on the nominations until an independent counsel issues a report on a yearlong investigation of Mr. Meese next month.

# Redefining U.S. Security, Jackson Urges 'Very Different' Moscow Ties

By Bernard Weinraub  
New York Times Service

LOS ANGELES — The Reverend Jesse L. Jackson has urged "a very different relationship with the Soviet Union" and recognition by the United States that a "new order" is emerging in the Third World.

On Tuesday, in the most detailed foreign policy speech in his campaign for the Democratic presidential nomination, Mr. Jackson denounced President Ronald Reagan's "mock tough postures" against the Soviet Union.

The candidate said in a speech to the Los Angeles World Affairs Council that the nation's "insecurity today comes not from the spread of Communism" but from joblessness, global economic problems and drug trafficking that "overruns our borders."

Although sporadic applause marked the speech and Mr. Jackson received a standing ovation when he finished, the luncheon crowd of 1,200 business leaders, lawyers and executives greeted the message somewhat coolly.

Two central themes dominated the speech, which contained no broad criticisms of the Soviet Union. The first was that the Moscow summit meeting starting Sunday "dramatizes the growing limits

on the use of military force in the modern world."

"President Reagan and General Secretary Gorbachev lead the most powerful militaries in the world, yet the president goes to Moscow frustrated in Nicaragua; the general secretary receives him defeated in Afghanistan," Mr. Jackson said.

"The most powerful nations are confounded in seeking to control poor, small nations on or near their borders."

Mr. Jackson said the superpowers retained "bloated" nuclear arsenals while "across the world, nationalism, religion, revolution have proved damming adversaries to great powers."

He said the United States "must chart a different course towards common security," including a nuclear test ban treaty and a mutually verifiable ban on missile test flights.

"We can never free our children of the threat of nuclear weapons until we build a very different relationship with the Soviet Union and construct a range of new international institutions and guarantees," he said.

Mr. Jackson's second theme centered on U.S. policies in emerging nations. He said the United States viewed Third World countries through the prism of capitalism or as "pawns in a global chess game."

"We must recognize the new or-

der that is coming into being," he said. "President Reagan, or his aides and seers who defined policy, viewed the Third World primarily through the lens of the East-West conflict and astrologers."

A key to policy toward the Third World is for the United States to "respect the right of self-determination," Mr. Jackson insisted.

"Many pay lip service to self-determination but refuse to apply it consistently," said Mr. Jackson. "Some support self-determination for all but El Salvador, because they might choose the wrong form of government, or self-determination for all but the Palestinians, because they confront our closest ally in the Middle East."

He added: "To ignore self-determination is only to exacerbate the problem. In the Middle East, Israeli security/Palestinian self-determination are two sides of the same coin. We must do for them what they cannot do for each other: Break the cycle of violence, provide guarantees for mutual security in exchange for mutual recognition, land in exchange for peace."

The speech on foreign affairs was Mr. Jackson's second consecutive policy address designed to influence the Democratic Party platform that will be drawn up at the national convention July 18-21 in Atlanta.

# Jersey City Schools Face Takeover

The Associated Press

TRENTON, New Jersey — Jersey City's schools are in an "advanced stage of decay," New Jersey's education commissioner has said in announcing that the state will attempt to take control of the 32,000-student district.

It would be the first time a state has taken over such a big urban district, New Jersey's second-largest, said the National Governors Association in Washington.

Education Commissioner Saul Cooperman, citing rampant political patronage, mismanagement and chronic failure to educate the district's students, began efforts to take over the district on Tuesday.

The school system in Jersey City, an ethnically diverse city of more than 200,000 people, many of them recent immigrants, has come under fire for poor test scores and a high dropout rate.

An independent auditor's report cited by the state also charged that jobs in the school system were treated as political paybacks and that courses are so outdated that one on Africa failed to list 17 countries formed since 1958.

"As is true of other enterprises that reach such an advanced stage of decay, the Jersey City school district offers a compelling case for bolder, more decisive and nontraditional intervention by higher public authorities," Mr. Cooperman said.

Mr. Cooperman said district administrators were incapable of properly running the schools or fixing widespread problems. "Political patronage, union pressure and cronyism is a consistent motivation, at all levels, in the hiring, firing and promoting of staff," he said.

Under New Jersey legislation enacted five months ago, Mr. Cooperman could abolish the local board of education, fire the superintendent and administrators and appoint a state superintendent to run the schools for at least five years.

The district has 10 days to accept Mr. Cooperman's decision or respond with reasons why it should not be taken over.

# Vietnamese Politician Is Granted a U.S. Visa

New York Times Service

WASHINGTON — U.S. State Department officials say they have granted a visa to Nguyen Xuan Oanh, an American-educated Vietnamese who is a leading advocate of economic liberalization in his country and a member of the Vietnamese National Assembly.

The decision came after a campaign by Mr. Oanh's supporters in Congress and elsewhere who believed that the Reagan administration had intended to deny him a visa.

Civil Liberties Union said that department officials had told them a visa would be denied on the basis of the 1952 immigration and nationality law known as the McCarran-Walter Act. The law allows the government to deny visas to persons it believes would be "prejudicial to the public interest."

Mr. Oanh lived in the United States from 1950 to 1963 as a student, teacher and economist. His trip is being sponsored by the U.S.-Indochina Reconciliation Project, based in Philadelphia.

In the mid-1960s, Mr. Oanh lived in Saigon and worked for the South Vietnamese government. After the fall of South Vietnam in 1975, he was put under house arrest for a year and then became involved in government planning.

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How to Get Ratification

For a while, it looked as though several willful men could derail the Entomissile treaty and President Reagan's wish to make the treaty a centerpiece of his summit meeting in Moscow...

The Foreign Trade Bill

The House has voted by a wide margin to override the veto, but the outlook in the Senate is very different. If the Senate sustains the veto, it will make compellingly good sense for both parties to collaborate in rapid enactment of a bill with the plant-closing clause dropped out...

Other Comment

Looking for Lift in Moscow: When Ronald Reagan meets Mikhail Gorbachev in Moscow next Sunday, the White House informs us nobly, his goal "remains a brighter future and a safer world for all people..."

INTERNATIONAL HERALD TRIBUNE

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Summit: The Portents Balance Is Positive Meantime, A Sad Joke On Poland

By Jim Hoagland

MOSCOW — "We understand our partners, often we can understand them even without exchanging words," the Soviet general was saying with enthusiasm...

He has accepted Mr. Reagan's four-point agenda for superpower dialogue as the basis for the Moscow summit. Human rights, regional conflicts and bilateral relations join arms control as the primary subjects...

New forces are now pushing the Soviet Union toward a long period of peaceful competition.

Simply challenging Mr. Reagan and other American conservatives to take yes for an answer, as he did when he suddenly adopted the "zero option" proposal that led to the INF Treaty...

administrations in 1976 and 1980. Mr. Gorbachev wants to cushion the impact of the transition to Mr. Dukakis or even to Mr. Bush, either of whom might be tempted to abandon or significantly revise the strategic arms agreement...

Meantime, A Sad Joke On Poland

By Flora Lewis

PARIS — The story of Stefan Orszowski is so absurd that it would be hilarious if the rumormongers that he and his comrades have visited on Poland were not so sad.

Mr. Orszowski has taken up a quiet, middle-class life in Queens, New York City, with his new wife, Zofia Skowron, whom he married last month...

A member of the Polish political and foreign minister at that time, Mr. Orszowski was a rigid hard-liner, considered Moscow's favorite to take over and crack down on the restive Poles...

Polish sources say he met Mrs. Skowron at the United Nations when he attended sessions as foreign minister and she covered them for the Polish Communist Party newspaper...

In the story goes in Warsaw, General Jaruzelski denounced "you and your immoral life" to Mr. Orszowski's face. The minister agreed to resign from the Politburo...

"You with your aristocratic background and your Catholic education, don't you talk about immorality to me," Mr. Orszowski shot back...

Other Polish hard-liners who have been shamed off to embassies have also been returning lately. Casimir Komloski, who has been in the position to accept a job for Miss Skowron at the UNESCO office in New York...

It is reported in Warsaw that he has returned now for a visit, considered an ominous sign of hard-liner preparation for the Soviet party conference at the end of June...

Meanwhile the deterioration of Poland proceeds. There is no real reform, and no sign of any coherent plan for reform...

Dear God, this is a catastrophe. Please restore a half-intelligent government. We had a quarter, then an eighth, now we're down to people with one-thirty-second of a brain...

But the secret police are everywhere, watching, informing. They are said to number 300,000, paid by secret funds hidden in the budgets of unlikely ministries...

The strikes revealed a bitter new generation of workers who were school boys when Solidarity erupted on the scene in 1980. They are angry militants who disdain the moderating advice of remaining leaders of the outlawed union...

Nothing would be more likely to bring Mr. Gorbachev down than a serious upheaval in Eastern Europe. His opponents would say it was the result of laxity in the name of reform...

Polish complaints that Mr. Gorbachev's "new thinking" foreign policy has focused on Afghanistan, Angola, Cuba and Ethiopia while he neglects what they have come to call "pe-dems" — people's democracies...

The writer, who was deported from the Soviet Union in February 1986, is author of a forthcoming memoir of his nine years in prison. He contributed this comment to The New York Times.

From Their Jails, the Prisoners Will Be Watching

By Natan Sharansky

JERUSALEM — With the Reagan-Gorbachev summit meeting imminent, I recall the mounting excitement in our cells at Chistopol prison when in 1979 we heard of the coming summit meeting in Vienna...

We were sure that President Jimmy Carter, for whom concern for human rights was a declared principle of foreign policy, would sign an agreement with General Secretary Leonid Brezhnev without securing at least some concessions on Soviet political prisoners...

My cell mate Viesturs Platiņš, leader of the Lithuanian Helsinki group, whose "crime," like mine, was that he took the Soviet signature on the Helsinki accord on human rights seriously, was the first to articulate what we all suspected: that we had been ignored...

"It will take another five years," he said. "The leadership of this Politburo will have to die off before we get out of here..."

Another cell mate in my prison years was Vazir Melanov, a case study in Soviet obtuseness and cruel-

ty. His crime was protesting Andrei Sakharov's banishment to Gorky. Now Dr. Sakharov is back in Moscow, his exile officially retracted...

A Western disavowal of linkage between human rights and East-West relations can only strengthen Soviet hard-liners.

These contradictions can be understood if one realizes that the basic change from which all others flow, is not ideological and structural but pragmatic. Unlike his predecessors, Mr. Gorbachev is a supreme realist...

These dissidents are discovering that the limits of glasnost are quickly reached. It is not ideological and structural but pragmatic. Unlike his predecessors, Mr. Gorbachev is a supreme realist...

changed? Of course not. There are a greater flow of ideas and freer movement in and out of the country. Some political prisoners have been freed. Many celebrated "refuseniks" and prisoners of Zion are now in Israel. A few previously banned books are now available...

But for the broad mass of Soviet Jews who want to leave or who want to live as Jews, little has changed. In some ways, they are worse off...

Dissidents of all stripes are discovering that the limits of glasnost are quickly reached. It is not ideological and structural but pragmatic. Unlike his predecessors, Mr. Gorbachev is a supreme realist...

These dissidents are discovering that the limits of glasnost are quickly reached. It is not ideological and structural but pragmatic. Unlike his predecessors, Mr. Gorbachev is a supreme realist...

Why the Big Labyrinth Under Moscow?

By Seymour Weiss

WASHINGTON — The latest annual edition of "Soviet Military Power," published by the Pentagon, reveals that the Soviet Union has been developing an enormous, deep underground structure to house vast numbers of people, including the Soviet leadership, to permit the invulnerable pursuance of a major nuclear war...

Early in the Reagan administration, senior Pentagon officials argued for a strategy that would permit the United States to "prevail" in a nuclear war should deterrence fail...

It was reassuring to have Mr. Carlucci assert that the Defense Department has "a number of initiatives under way" that would provide us an effective response to this program...

gan's oft-repeated conviction that a nuclear war cannot be fought. They are taking steps "in steel and concrete," as Mr. Carlucci put it, to prepare to do both.

Structures have been built hundreds of meters underground. They are connected by many kilometers of subways and have life-support systems to protect occupants against chemical and biological as well as nuclear attack...

It was reassuring to have Mr. Carlucci assert that the Defense Department has "a number of initiatives under way" that would provide us an effective response to this program...

ensive-weapon inventory and enormous air and ballistic missile defenses, carries ominous connotations. Are the Soviets preparing to initiate war? More likely, is the deep underground program part of a contingency preparation designed to ensure that in the next crisis it is America that "blinks"?

Had the Reagan administration proposed a comparable program, it would have found itself heaped with scorn and accused of provocatively preparing to fight a nuclear war...

There can be only one purpose for these shelters — to provide the Soviet leadership the ability to fight a protracted nuclear conflict. It would be a good topic to bring up at the summit.

The writer, a retired former director of the State Department's Bureau of Politico-Military Affairs, contributed this comment to The Washington Post.

A Different World for Asia's Tigers

By Michael Wong Pakshong

SINGAPORE — Where do the NICs, the newly industrialized countries of East Asia, go from here? Their success has been built on exports, but they face a new economic environment...

South Korea, Taiwan, Hong Kong and Singapore have to decide whether, and how, their export-oriented development strategies should be modified to take account of impending changes.

The United States is a major market for all four countries, but automobile access to America for their exports is no longer assured. Protectionist sentiment is strong in Congress...

In an increasingly interdependent world, trade surpluses accumulated by any one country that are large and perceived to be permanent are no longer acceptable. Japan, for example, faces pressure to reduce its trade surplus not only with other industrialized countries but also with Third World nations...

NICs, and countries aspiring to become NICs, must recognize the changed circumstances. So long as they rely on export-led policies, which result in burgeoning reserves of foreign exchange, the international community will demand that they open their domestic markets to imports...

diversify markets and increase direct exports to other countries. The NICs have searched for new markets. Every effort has been made to reduce costs and improve productivity...

South Korea's currency, the Singapore dollar have been revalued. Appreciation of NIC currencies has made the manufacture of low value-added products such as shoes, clothing and textiles uncompetitive...

As U.S. markets become harder to penetrate, the proximity and potential of China, with a population of more than one billion, creates a powerful attraction. All four NICs believe that they possess technologies which China needs for modernization...

Hong Kong thrives because of its access to China. Exporters from South Korea and Taiwan, prevented by domestic laws from engaging in direct trade with China, find Hong Kong a convenient place for trading with it without embarrassment...

Barriers to expansion in direct trade with China are self-imposed. There are strong signs that such barriers may disappear as contacts and understanding increase. Businessmen in South Korea and Taiwan can only welcome this.

What conclusions can be drawn about the future of the NICs? Their export drive cannot be dis-

carded. If anything, they will be even more aggressive in their search for new outlets when they lose market share in America. It is in their national interest to diversify export sales as widely as possible, if only to avoid overdependence on any one market...

As the NICs' economies mature, resources must be used increasingly to improve domestic infrastructure and amenities, especially housing. Environmental and pollution control issues cannot be ignored much longer...

The drive toward advanced technology and higher value-added manufactures will bring NICs into even closer contact with the industrialized countries. It is conceivable that the NICs may even be at the forefront in certain fields of research and development...

Each country must learn not only how to cooperate but also how to accommodate conflict. The service sector is of growing importance to each of the NICs. Provided educational and training programs are correctly structured, they can participate in the field of information technology, gaining all the economic benefits and other advantages that this can bring...

It has already been suggested that South Korea and Singapore should become members of the OECD, the club of Western industrialized countries and Japan. The potential to join the advanced industrial societies is undoubtedly within reach of the four East Asian NICs.

The writer, a former managing director of the Monetary Authority of Singapore, is senior investment advisor to Wearne Brothers Ltd. He contributed this comment to The International Herald Tribune.

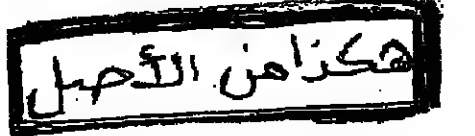
100, 75 AND 50 YEARS AGO

1888: Kiev Anniversary ST. PETERSBURG — It is stated that the Czar [Alexander III] has been invited to the fetes at Kiev in commemoration of the conversion of Russia to Christianity nine hundred years ago. In replying to the invitation, the Czar expressed his hope that politics might not disturb the celebration, and said that he was doing his best to preserve the peace.

1938: Tammany Arrest NEW YORK — James J. Hines, most powerful single figure of Tammany Hall, was arrested today after a warrant charging him with "concocting, proposing and drawing a lottery" was issued by Justice Philip McCook of the New York Supreme Court.

1913: Smyrna Port Blast SMYRNA — In consequence of the blowing up of the steamer Nevada, flying the American flag and belonging to the Hadji Daout Company, the authorities have decided to close the port. The casualties are now estimated at sixty. The American Consul-General immediately went to the scene of the explosion. The French cruiser Bruix rendered very valuable assistance. The Nevada was blown up before it arrived at the area regarded as the danger zone and was in about the same position as the Stenag. It is learned from Constantinople that the consequence of the blowing up of the Nevada, the Ambassadors of the Powers have demanded the removal of the submarine mines.

The So In Chat WASHINGTON — The Soviet Union has... The French scholar... Cautious Opt... SKEPTICS will question... The Moscow... The writer, who was deported from the Soviet Union in February 1986, is author of a forthcoming memoir of his nine years in prison. He contributed this comment to The New York Times.





OPINION

The Soviet Party Remains In Charge, So What's New?

By George F. Will

WASHINGTON — Since 1917, the Soviet Union has been a country in which, in Orwell's words, yesterday's weather could be changed by decree. (And was, as a way of explaining agricultural failures without reference to communism.) Now fundamental change is said to be afoot. But the criterion of such change should be an altered — reduced — status of the Communist Party. No such alteration is apparent.

In fact, Mikhail Gorbachev is affirming the party's monopoly on interpretation by his use of today's two talismanic words, "perestroika" (restructuring) and "glasnost" (openness) means freedom to criticize critics of perestroika. This, as the French scholar Alain Besançon notes, is the meaning of Mr. Gorbachev's dictum that "criticism must be conducted in the spirit of the party."

On this summit eve, the crucial question is not "What does Mikhail Gorbachev want to do to the Soviet Union?" but "What does he want to do with the Soviet Union?" Of course he wants a more productive, efficient economy. But to what end, and at what cost to discipline imposed from above?

Suppose the Soviet aim is unchanged. Suppose it aims to detach Germany from NATO in order to detach Western Europe from the United States in order to achieve victory in the irrepressible conflict between two irreconcilable social systems. Would his behavior be different than it is? Would he not encourage the West with its technological virtuosity, to relax? Would he not encourage this by de-emphasizing peripheral objectives, such as Afghanistan, and encouraging, on ostensibly moral grounds, the shift

of military competition from nuclear weapons to conventional forces? The general stigmatization of nuclear weapons, in which President Reagan has participated, leads to the prospect of conventional war fought in Germany.

Mr. Besançon argues that the recent reorientation of Soviet military doctrine toward non-nuclear forces coincides with a longstanding predilection among some Communist theorists. They argue that nuclear weapons distort the working of the laws of history that govern changes in the correlation of forces.

The triumph of communism is supposed to come through competition and conflict, the outcome of which is to be determined by broad attributes of rival social systems, attributes that determine their abilities to marshal forces. But nuclear weapons enable any country possessing them to resist intimidation, destabilization and conquest and to exercise influence disproportionate to its "real" social weight.

Mr. Gorbachev's genius is in orienting Soviet policy, in pursuit of unchanged aims, toward the exploitation of what Mr. Besançon calls "spontaneous Western tendencies." One of which is wishful thinking, a tendency of Ronald Reagan when dealing with domestic (remember the promise of self-financing tax cuts?) as well as foreign policy.

Mr. Reagan is the ninth U.S. president to meet with a Soviet leader. He is doing so for the fourth time. Remember four years ago, when Walter Mondale labored to make much of the fact that Mr. Reagan was the first president since Franklin Roosevelt to go through a term without meeting the Soviet leader? Four years ago many people considered Mr. Reagan a keeper of the Cold War flame. Time flies.

Seven and a half years ago, Soviet Ambassador Anatoli Dobrynin, who now advises Mr. Gorbachev in Moscow, welcomed the Reagan administration as, potentially, a reprise of the last conservative Republican administration, that of Richard Nixon, the architect of détente. Mr. Reagan's administration has fulfilled that potential.

By making arms control every bit as much the "centerpiece" (President Carter's word) of U.S.-Soviet relations as it was under Mr. Nixon, Gerald Ford and Jimmy Carter, the Reagan administration generated the essence of détente — the soothing thought that the Soviet Union is a normal state seeking a modus vivendi. This led, inevitably, to the two emblematic events of the late Reagan era: the collapse of the contras and the unleashing of the Commerce Department to do business-better-than-usual with Moscow. The pace of summits — four summits in two and half years — is not unrelated to the unraveling of what was once thought to be Mr. Reagan's foreign policy.

Cautious Optimism

SKEPTICS will question the utility of the Moscow meeting, as well as the likelihood of the present Soviet-American rapprochement developing into a long-term détente. Indeed, it is unwise to conclude that the men in the Kremlin have now irrevocably abandoned their role as international mischief-makers and are firmly determined to cultivate their own garden. On balance, however, there is room for cautious optimism.

For all of Ronald Reagan's recent travails, he can congratulate himself that it was during his term of office that the Kremlin began to show readiness to reverse its previous policies of expansionism and attempted intimidation of the West. And so the prospects for peace and international stability will continue to depend not only on what happens in Moscow but also on America's ability to display the right proportion of firmness and conciliation in its policies.

—Adam B. Ulani (Los Angeles Times)



LETTERS TO THE EDITOR

No Hope Soon for the Poor

Nafis Sadik's argument, in "Development Is Mandatory and Has to Be Different" (May 14), that "social development should not be sacrificed to economic 'adjustment' when debt repayment is discussed" is of course correct. However, I do not agree with her belief that "a better life for the world's poor" is "within reach, now." In my opinion it is not.

The world has enough food to feed the poor now, and yet they are not fed. The world has enough medical resources to provide basic inoculations for everyone now, and yet it is not done. Surely the cost of distribution of basic requirements and information is not out of the world's reach, yet the distribution is not taking place at the rate necessary to stop and prevent the suffering.

Given the size and median ages of the populations in the developing countries, the political systems and climate existing in the world now and the current state of technology, I see no hope for the world's poor. This is not to say that there will not be a solution, but that under today's conditions the situation for those millions and millions of people is hopeless.

I would like to be proved wrong, but if we don't see the problems the way they are, we can never find the solutions.

BOB HESTER, Toulouse, France.

For a Deal With Savimbi

Traveling from Jamba, headquarters of UNITA, I was astonished to read Anthony Lewis's opinion column in your May 9 issue, "Getting Cuba to Talk With South Africa." After long dismis-

De-Program the Markets

Regarding "The Ghostly Rat That Turns Stock Markets Into Casinos" by William Safire (May 6): Congratulations to Mr. Safire for denouncing the impact of computer-controlled program trading on the U.S. stock market. Program traders and those who earn their living in the derivative markets will be able to produce endless arguments to defend their activities, but there seems to be little doubt that the fundamental reasons behind the movements in the various market indices has deteriorated.

The scale of program trading activities has grown to such a level that the core business of buying and selling equities appears under threat. It is time to concentrate on providing an orderly market in which individuals and institutions can trade equities without fear of being whipsawed by program traders.

To some extent there has already been a grudging acceptance of this view with the decision earlier this year to restrict the use of computer-based trading when the Dow falls or rises a set number of points. Further action is needed to reduce the domination of the indexes by program trading. The authorities should concentrate on raising margin requirements and on controlling instant data-base trading.

MICHAEL CORMACK, Edinburgh.

In response to the report "Client Warned Two Firms to Halt Program Trading" (Business Finance, May 14): Maurice R. Greenberg, chief executive of American International Group, deserves high compliments for his courageous decision to suspend investment banking business with brokers unless they halt computer-run, stock-index arbitrage. It is heartening to see responsible money managers beginning to act against this reckless speculation. Mr. Greenberg's decision should be followed by all institutional money managers. If government authorities are reluctant to impose strict regulations, then private business should react decisively, as Mr. Greenberg did.

ROLAND KUEHNI, Lugano.

The chairman of the U.S. Securities and Exchange Commission, David S. Ruder, has had his head in the sand since October, while Leo Melamed, chairman of the Chicago Mercantile Exchange, seems to be calling the shots. The financial community twiddles its thumbs despite the belief that program trading has driven the individual investor out of the market. Will a leader please step forward? BILL REILLY, Cascais, Portugal.

To Be Famous, All You Do Is Solve the Little Problem

By Martin Gardner

HENDERSONVILLE, North Carolina — An appealing irony of modern technology is that generations of intellectuals, schooled in higher mathematics, nonetheless have been stumped in efforts to solve a seemingly simple 357-year-old number puzzle. The theorem, put forth by Pierre de Fermat, a 17th century French mathematician, has teased the brains of thousands of mathematicians. Having eluded a "proof" for more than three centuries, Fermat's "Last Theorem," as it has become known, has thus taken on a kind of mystical importance. Anyone who solves it would be

instantly famous, as became clear from the attention given a Japanese mathematician when he offered a "solution" earlier this year. Experts determined last month that it was flawed, however, so today the theorem continues to beckon. Perhaps the most frustrating aspect of this puzzle is that it is so easy to understand: Does the equation A to the nth power plus B to the nth power equal C to the nth power have a solution in which A, B and C are positive whole numbers and n is greater than 2? When n equals 2, for instance, there are many solutions, including 3 squared plus 4 squared equals 5 squared — 9 + 16 = 25. Above the 2d power, however, no whole numbers seem to work. Proving that this holds true for all other numbers is what has baffled the giants of mathematics.

As if to further tantalize, Fermat scribbled in the margin of a math book a note in Latin saying that he had a "remarkable proof" that there were no other numbers for which the equation would work, but that the margin was too narrow to contain it.

Fermat never published his proof, probably because he soon discovered that it was unworkable. The enigma continues to capture the imagination of mathematicians around the world. Even armed with computers, today's scholars have not been able to find a counterexample to prove the equation false. Tens of thousands of papers have been written about the problem. Frustration over the task has even invaded two works of fiction: "The Devil and Samuel Flagg," a fantasy yarn by Arthur Porges, and "Murder by Mathematics," a mystery novel by Hector Hawn.

Hundreds of erroneous proofs have been established, some by top-notch mathematicians, and even today more amateurs exhaust their energies on the problem than on tracing the angle. When David Hilbert, one of the world's great mathematicians, was asked why he never worked on Fermat's Last Theorem, he answered: "Before beginning, I should put in three years of intensive study, and I haven't that much

time to squander on a probable failure." Although it is almost certain that no amateur will solve the theorem, there is always the nagging possibility that one might. I am only a mathematics journalist, but every year I receive many such "proofs." I promptly return them unread, my conscience slightly twitching, especially when they come in handsome, privately printed brochures.

The University of Chicago's mathematics department had a form letter stating: "We very much doubt that any treatment as simple and short as yours is likely to provide a solution. Should you wish a careful analysis of your solution, we would be able to provide it only upon provision of a suitable fee."

Edmond Landau, a German mathematician, had a form letter that read: "Dear Sir/Madam: Your proof of Fermat's Last Theorem has been received. The first mistake is on page —, line —. The blanks would be filled in by a graduate student. I have heard of a mathematician who closed his form letter this way: 'I have an elegant refutation of your attempted proof, but unfortunately this page is not large enough to contain it.'"

A U.S. expert likes to return crank proofs with a note saying that he is not competent to evaluate them but that So-and-so is. He then provides the address of another crank who thinks he has a proof. Most mathematicians are convinced that the theorem is true and will eventually be proved. A minority suspect that it is false but believe that the simplest counterexample involves values of A, B and C that have millions of digits. To establish the theorem, it is only necessary to prove it for prime exponents (primes are numbers other than 1 that are divisible only by 1 and themselves), but already it is known that the theorem is true for all exponents smaller than 125,000.

I belong to a third group of people who believe and hope that the theorem is undecidable. Mathematician Kurt Gödel, in a celebrated paper, showed that arithmetic contains statements that cannot be proved true or false within the formal system of arithmetic. If Fermat's theorem is false, there must be a counterexample, but of course its existence would make the theorem decidable. It follows that if the theorem is Godel-undecidable, it must be true. This leads to a dismal (although to me delightful) possibility. Mathematicians and their supercomputers will forever struggle with the theorem, never finding a counterexample, never knowing for sure if it is true and never giving up because, like the mountain, it's there.

The writer, an author of books on mathematics, wrote the mathematical column in Scientific American magazine from 1957 to 1982. He contributed this comment to The New York Times.

Antime, Sad Joke Poland

By Flora Lewis

S — The story of Stefan Kisielewski is so absurd that it would be a waste of time to say that it is a sad joke. He has visited on the shores of the Baltic Sea, and he has taken up a quiet life in Queens, New York. His new wife, Zofia Sowa, is married last month and has a son, Nicholas. The 67-year-old Kisielewski, three years younger than his Polish counterpart, Janusz Korczak, was a member of the Polish political underground at that time. He was a right-hand man of the Polish resistance leader, Witold Gombrowicz, who was a major force in the Polish underground. Kisielewski was a member of the Polish underground and was a member of the Polish underground. He was a member of the Polish underground and was a member of the Polish underground.

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ASIAN TOPICS

Philippine Invitation To Nicaragua at Issue

The government of the Philippines is convening a four-day conference of "newly restored democracies" in Manila next week. Diplomats say the United States, a close ally, has expressed its displeasure over the inclusion of Nicaragua on the guest list.

The Reagan administration has labeled the Nicaraguan government a Communist dictatorship and has sent millions of dollars worth of aid to rightist rebels.

Japanese to Double Capacity of Narita

Tokyo's Narita Airport is 10 years old this week, still embattled but gaining in prominence among world airports.

At one point, 13,000 police battled with 13,000 demonstrators. Today, 500 riot policemen still patrol the 1,065 hectare (2,600-acre) airport.

a year — currently stretched to 14 million — to 23 million. This would still leave it well down in world rankings.

Around Asia

In most of India, the bride's family pays the dowry. But for northeast India's Reang hill tribe, who worship woman as the creator, the husband not only pays the dowry but does up to three years' work for the bride's family.

The Tokyo Stock Exchange, befitting its growing role in global equity trading, opened a new headquarters this week.

The Peak Tram, one of Hong Kong's best-known attractions, is to be modernized as it begins a second century of carrying people up 1,805-foot (550-meter) Victoria Peak.

A \$6.4 million overhaul will increase the top speed of the electric-powered cable railway from about 15 feet a second to about 19 feet, or about 10 miles (16 kilometers) an hour.

North Korea has labeled South Korea's decision to move its clocks forward one hour during summer as "a treacherous act." The official Korean Central News Agency charged that Seoul had decided to switch to daylight saving time to increase advertising revenues from U.S. television networks' live broadcasts of the Olympic Games.

Arthur Higbee

SUMMIT: Reagan Firm Over SDI

(Continued from page 1) interceptor missile — could be tested under the broad interpretation. Nor have U.S. officials conducted an inter-departmental study of the possible benefits for SDI of adopting the broad interpretation.

RAID: Israelis Attack

(Continued from page 1) previous attacks against military points in Lebanon are intended to discourage guerrilla incursions across Israel's northern border.

There has been a rash of such incursions this year, and the government believes that the Palestine Liberation Organization has been using them to energize the nearly six-month-long Palestinian uprising in Israel's occupied territories.

The latest leaflet from the underground leadership of the uprising called for a general strike on Wednesday, the 40th day since the assassination of Khalil al-Wazir, the Palestine Liberation Organization military chief.

Some administration specialists say that broad interpretation has become an important symbol of conservatives of the administration's commitment to SDI and that White House officials appeared to support fully the broad view.

Tourism is Israel's largest source of foreign capital, earning \$1.6 billion last year. But officials expect income to drop this year by about \$300 million, making tourism the industry hardest hit by the unrest.

The administration is caught between a rock and a hard place, said one specialist. "The broad interpretation policy can't be walked back and it can't be moved forward in Geneva."

They say that the administration could extract some additional concessions from Moscow in the arms talks by demonstrating some flexibility on the treaty interpretation issue.

Swiss Expel Soviet Attaché Bern, Switzerland — Switzerland announced Wednesday the expulsion of a Soviet Embassy science attaché on charges of espionage.



STATE OF READINESS — A Soviet policeman walking past television equipment being unloaded in Moscow on Wednesday, as American networks get ready for the U.S.-Soviet summit meeting.

SOVIET: Dispute on Taxes Holds Up Vote on Co-ops

(Continued from page 1) There is virtually no doubt that the draft business law will be approved, since it is enthusiastically supported by Mr. Gorbachev and seems to have no serious opposition.

Officials at the Finance Ministry said the tax was intended to help break down resistance to private enterprise by assuring the public that private entrepreneurs will not be raking in huge wealth without contributing to the government.

Revenues from the tax are to go to local government, in theory giving local authorities an incentive to stimulate new cooperatives rather than throwing up obstacles.

Mr. Sharpe attributed the stay-at-home policy in part to fear of defections by crew members, including conscripts. He recalled passing a Soviet cruiser in the English Channel while on a British warship and said that while almost the entire British crew lined the railings, on the Soviet vessel just one young sailor was visible above deck.

As for the U.S. Navy, Mr. Sharpe said in a foreword to the yearbook that the "regenerated and formidable" American fleet was now so much better equipped and bigger than the navies of Western Europe that Washington would be unlikely to wait for orders from North Atlantic Treaty Organization headquarters in a time of tension near Europe.

LOSSES: Soviets Give Toll

(Continued from page 1) as a basis for military operations against the Kabul government, in violation of the United Nations sponsored peace accords.

Pressed on whether Moscow would reconsider its withdrawal if it believes that Pakistan is continuing to violate the agreement, he said: "We expect an explanation and corrective action from the Pakistani side. If these are not forthcoming, we may have to call another news conference like this one to say what our reaction will be."

Mr. Vorontsov also accused the United States, a co-sponsor of the Geneva agreements together with the Soviet Union, of "pouring arms on the flames" by continuing to provide arms to the rebels.

According to Mr. Vorontsov, 33 Stingers had been sold to Iranian agents while another 10 were sold to drug smugglers for 13 million Iranian rials (\$300,000) a piece.

Both Mr. Vorontsov and Gen. al-Lizichev defended the initial decision to intervene in Afghanistan at the request of the Kabul government in December 1979, given the circumstances prevailing at the time.

Jane's Editor Says Soviets Distrust Navy and Keep It in Home Waters

LONDON — The Soviet Union keeps its large navy bottled up in home waters because the Kremlin does not trust it, according to Richard Sharpe, editor of the new yearbook of Jane's Fighting Ships, issued Wednesday.

Mr. Sharpe attributed the stay-at-home policy in part to fear of defections by crew members, including conscripts. He recalled passing a Soviet cruiser in the English Channel while on a British warship and said that while almost the entire British crew lined the railings, on the Soviet vessel just one young sailor was visible above deck.

Arafat PLO F

By Ihsan... BEIRUT — Five injured by opposition Palestinian guerrillas loyal to Yasser Arafat's PLO.

After three days of the last week, Arafat's PLO leader, Colonel Yasser Arafat, and his wife, Iman, were seen in Beirut, off to give Colonel Nizar passage out of the city.

The fighting in the same area between the Shiite Moslems and the pro-Iranian Hezbollah of God, have many gains against the Assad militia.

The two disputes directly related, but in a division among the labor in the Palestine.

The PLO chairman, Yasser Arafat, said that the United Nations should take them to other parts of the world.

Colonel Musa then said he has in Lebanon those in 11 Palestinian camps in the northern, southern parts of the country.

Five years ago Durrani and Mr. Arafat was in Syria. In the last few years, his position in Lebanon has improved.

There is a general feeling among Palestinians that Mr. Arafat has an important role to play in the Israel West Bank and Gaza Strip.

Doctor Feared A Belgian doctor doctor work with Palestine.

Hijackers of Reported... BEIRUT — Lebanese officials said they have arrested two hijackers in the hijacking of a plane in April were killed in Beirut's southern district.

The officials said they were among four hijackers who were allowed to leave Algeria on April 10.

The gunmen, believed to be from the West Bank, were released after releasing their hostages. The whereabouts of the hijackers were not known.

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SSSES:

riets Give Toll

Continued from page 1... The military operations... the Kuwaiti government... the Geneva agreement... the UN Security Council... the demand for Mr. Vane...

riets Distrust Home Waters

...the PLO... the Arafat group... the Beirut faction... the fighting... the casualties... the security officials...



THE OAU TURNS 25 — President Hosni Mubarak of Egypt planting a tree Wednesday in Addis Ababa, Ethiopia, where the Organization of African Unity was celebrating its 25th anniversary. On Tuesday, its ministers decided to open a Washington office for liaison with U.S. anti-apartheid groups.

Arafat Group Defeating PLO Faction in Beirut

By Ihsan A. Hijazi  
New York Times Service

BEIRUT — Five years after being routed by opponents within the Palestine Liberation Organization, guerrillas loyal to the PLO chairman, Yasser Arafat, are regaining supremacy in refugee districts in Lebanon.

After three days of fighting over the last week, Arafat loyalists have defeated followers of a dissident leader, Colonel Sayed Musa, in the Chatila and Burj al-Brajneh refugee camps on the southern outskirts of Beirut, officials said.

By early this week a cease-fire committee set up by several guerrilla groups had begun preparations to give Colonel Musa's fighters safe passage out of the two camps, which have a combined population of about 35,000.

The fighting among the Palestinians has coincided with clashes in the same area between rival Lebanese Shiite Muslim militias. In those battles, pro-Iranian fundamentalists of Hezbollah, or the Party of God, have made substantial gains against the Syrian-backed Amal militia.

The two disputes were not directly related, but in one sense the division among the Shiites was a factor in the Palestinian fighting. The Arafat loyalists were strengthening their positions in Chatila and Burj al-Brajneh in anticipation of a possible move by Syria to stem the Shiite fighting by sending troops into Beirut's southern suburbs.

In the Palestinian fighting, 10 persons have been killed and 61 wounded, security officials in Beirut said.

Colonel Musa, who uses the nom de guerre Abu Musa, broke with Arafat, Mr. Arafat's guerrilla faction within the PLO, in May 1983.

In December 1983 he joined with other Syrian-backed guerrilla organizations to drive Mr. Arafat and 5,000 of his supporters out of the northern Lebanese port of Tripoli. The PLO chairman and his supporters were so severely defeated that the United Nations sent ships to take them to other countries.

Colonel Musa then seized all Fatah bases in Lebanon, including those in 11 Palestinian refugee districts in the northern, eastern and southern parts of the country.

Five years ago Damascus threw its weight behind the Musa forces, and Mr. Arafat was expelled from Syria. In the last few months, however, his position in Lebanon and with the Syrians has improved.

There is a general feeling among Palestinians that Mr. Arafat has had an important role in the Arab uprising in the Israeli-occupied West Bank and Gaza Strip, and he was recently reconciled with President Hafez al-Assad of Syria.

Doctor Feared Abducted

A Belgian doctor doing volunteer work with Palestinians in Beirut...

Hijackers of 747 Reportedly Slain

New York Times Service

BEIRUT — Lebanese security officials said they have received reports that two Shiites who participated in the hijacking of a Kuwaiti airliner in April were killed in fighting between opposing Shiite militias in Beirut's southern suburbs.

The officials said the two men were among four hijackers who made their way back to Beirut after leaving Algeria on April 20.

The gunmen, believed to number nine in all, were allowed to go free after releasing their hostages. The whereabouts of the rest of the hijackers were not known.

Iraqi Offensive Costs Iran Its Foothold Near Basra

By Patrick E. Tyler  
Washington Post Service

CAIRO — Iraq opened its second major offensive of the year on Wednesday, attacking Iranian forces dug in around Basra, Iraq's largest southern city.

By late Wednesday, Baghdad reported it had cleared a 25-kilometer-long (15-mile-long) corridor east and southeast of the city, forcing Iranian troops to retreat to the border with Iran.

Iran acknowledged that it had lost the battle for the beachhead established on Iraqi territory in January 1987 when an onslaught of human-wave attacks brought Iranian artillery gunners within range of Basra's densely packed neighbor-

hoods, causing hundreds of thousands of civilians to flee.

"Iranian forces have withdrawn from part of the captured positions to new positions after intense fighting in the Shalameh area," the Tehran radio announced. Shalameh is a border town that lies half way between Basra and the Iranian city of Khorramshahr.

Iranian Revolutionary Guard commanders made radio appeals for volunteers and reinforcements to report to the battle zone, and the Tehran radio said the retreating Iranian forces were "replying with heavy fire to the enemy artillery."

Iran also claimed that it had marshaled its depleted air force to

mount four air attacks against the Iraqi advance.

The 10-hour attack was conducted by units of the Iraqi 3d Army Corps and elite Republican Guards. It followed a rout last month of Iranian forces that had occupied the Faw Peninsula in Iraq since February 1986.

The speed with which Iranian forces relinquished their hold on Faw represented a significant political and propaganda victory for Iran's revolutionary leaders. It also mystified military and political analysts.

Now, the quick collapse of Iranian forces east of Basra raises questions of whether Iran's leadership, preoccupied with a monthlong par-

liamentary election process and political maneuvering on domestic issues, is suffering from confusion or a lack of coordination on military strategy.

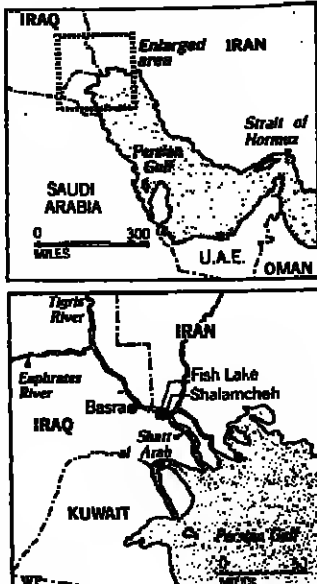
Iraqi communiques during the day also said that Iraqi troops had dislodged Iranian defenders from the southern portion of Fish Lake, an artificial flood zone and canal works erected by Iraq to protect the eastern approach to Basra.

The fighting at Fish Lake, six miles from Basra, was particularly fierce in January 1987, and many military analysts had doubted the ability of the Iraqi Army to risk the high casualties believed necessary to dislodge the Iranians dug in there.

During that January 1987 offensive, Revolutionary Guard forces paid dearly for their gains. They advanced in human-wave assaults that left an estimated 70,000 Iranian troops dead or wounded.

Iraq's counterattack appears to have added to the confidence of the country's military that it can now reverse Iran's hard-won military gains with relative ease while intimidating Tehran with the threat of long-range missile strikes if Iranian forces retaliate.

Iraq also said Wednesday that its air force had conducted a long-range bombing attack against a major power station on the Caspian Sea, 125 miles north of Tehran.



40 Years On, Apartheid Still Divides Afrikaner Nationalists

By William Claiborne  
Washington Post Service

JOHANNESBURG — Forty years ago this week, South Africa's National Party came to power on a platform promising the total separation of the black and white races and unification of the fractious Afrikaner nation against English-speaking South Africans who dominated the country.

"The party is the folk and the folk is the party," was the rallying cry of 1948 — folk meaning the Afrikaner nation. It proved to be the catalyst that pulled Afrikaners together.

Four turbulent decades later, thousands of blacks have died in civil strife, tens of thousands have been imprisoned and some 3.5 million have been forcibly removed to distant reservations. And the Nationalist government is groping desperately for ways to dismantle apartheid on its own terms, having concluded that it is an unworkable doctrine.

Afrikaners are more divided than ever, forcing the party to rely on English-speaking voters in order to survive.

Yet President Pieter W. Botha is unapologetic about the policies that have brought his party to its uncertain state and led South Africa to the brink of revolution.

Referring to the chief architects and administrators of apartheid — among them prime ministers such as D. F. Malan, Hendrik Verwoerd and John Vorster — Mr. Botha said in an anniversary message that "any attempt to belittle the National Party's leaders of the past is wrong."

He added: "Under their circumstances, their contributions were essential and they were the builders of their time."

At the same time, the president reaffirmed his commitment, although vaguely, to extend "the structures of democracy to commu-

nities who previously had no meaningful participation."

Mr. Botha's remarks suggest that he feels he can afford to implement — against the ideals of his party's founding fathers and the protests of an aroused white electorate — cautious, incremental reforms designed to share some of the white minority's power with the black majority without giving it up.

Although the Nationalists face an uncertain future in the face of a challenge by the extreme right-wing Conservative Party, they still have a firm grip on power, holding 127 of the 178 seats in the white Parliament.

Whether Mr. Botha can maintain that balance, and fulfill his declared vision of a new democracy in which no racial group dominates, is a difficult question. His answer depends largely on the depth of the commitment of those offering compromise and the will of those who are asked to accept it.

But even if he succeeds, the residue of the failed social engineering experiment that his party pursued for so long is likely to remain for generations to come.

Or, as Colin Eglin, the leader of

the liberal Progressive Federal Party, succinctly put it in a recent interview, "It will be far easier to get rid of apartheid than to get rid of the legacy of apartheid."

The deep prejudice in South Africa is directly traceable to May 26, 1948, when the National Party won a surprise victory in the parliamentary election and its leader, Mr.

Malan, ousted Jan C. Smuts as prime minister.

Although race discrimination against the indigenous population dates back to the arrival of the first Dutch settlers in Cape Town in 1652, it was the National Party that codified and institutionalized the practice.

In the 1930s, the Afrikaners were regarded as the backwash of society. Nearly a fifth of them lived at the poverty level, and Afrikaners

generally were regarded by English-speaking whites as socially inferior and culturally backward.

Moreover, there were fears that predominantly English-speaking capitalists would replace unskilled Afrikaners with cheaper black labor.

It was against this background that Mr. Malan promised a "puri-

fied" National Party that would restore the Afrikaners' identity and fulfill the Nationalists' faith that nations are a product of divine will and are distinguished from each other by their separate cultures.

Inherent in the party's promises was a belief that self-esteem for the Afrikaner could only be attained by group identification and total separation by apartheid.

Since then, the growth of the

National Party and the expansion of the system of apartheid have run in tandem.

To be sure, the National Party can rightly boast other, more positive accomplishments. It took South Africa into the industrial age and made it so economically self-sufficient that it has been able to withstand potentially crippling economic sanctions imposed by much of the world.

But it is apartheid for which the National Party will be remembered in history.

Within a decade of coming to power, the Nationalist government had adopted hundreds of laws restricting blacks' movements, rights and economic aspirations.

Nevertheless, with the assassination of Mr. Verwoerd by a de-ranged white man and the ascent to power of Mr. Vorster in 1966, National Party leaders began to coo-clude, reluctantly, that their doctrine was unworkable if carried to its logical conclusion and that it had to be scaled back.

The government began a painfully slow retreat from Mr. Ver-

woerd's dream, first chipping away at "petty apartheid" by integrating sports and opening selected hotels and restaurants to nonwhites.

It then opened trade unions to blacks and, in a watershed reform by National Party standards, recognized the permanency of blacks in urban areas by restoring their right to own property under leasehold. Influx control and pass law restrictions were abandoned.

Also under Mr. Botha came repeal of interracial sex and marriage laws; the dropping of laws prohibiting blacks from "interfering" in political affairs of other races; the opening of beaches and movie theaters to blacks and, in 1984, the creation of a mostly powerless tricameral Parliament that included Colored and Indian chambers but no representation for blacks.

More recently, Mr. Botha has proposed creating cabinet-level positions for blacks, and black regional legislative bodies that could serve as the basis for power-sharing negotiations with the majority. So far, however, no credible black leaders have agreed to serve on such bodies.

TWA advertisement for Ely Ambassador Business Class. Text includes: 'Fly TWA Ambassador Business Class and your elbows travel free.' 'Your elbow in the ribs at 39,000 feet is not a pleasant thing.' 'So to save you disagreeing over an armrest, TWA has come to an amicable arrangement with the elbow.' 'TWA Ambassador Business Class has just six seats across, less than your average airline across the Atlantic.' 'Which means that wherever you sit you'll only have one neighbour, at a discreet distance. You can also book your seat and obtain your boarding card weeks in advance, even for TWA connecting flights in America.' 'Perhaps it's because TWA is the pioneer of business class service, something no other airline has to live up to. Just ask your elbows. (Or contact your Travel Agent, or TWA.)'

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ARTS / LEISURE

IN BRIEF

U.S. Study Provides Clue to Autism

BOSTON (UPI)—Many people with autism appear to have underdeveloped segments in part of their brains, providing a clue to the cause of the baffling developmental disorder, researchers reported Wednesday.

Armadillo Can Halt Embryo Growth

WASHINGTON (WP)—If a pregnant nine-banded armadillo encounters severe environmental stress, she can halt the development of her embryo for a year or two, then allow it to resume later.

Volcanic Action on Venus Is Hinted

PASADENA, California (AP)—U.S. government scientists who bounced radio waves off cloud-shrouded Venus detected blobs that may be lava flows and rings that may be volcanic crater rims, both very bright and possibly rich in fool's gold, a new study says.

New Gain Seen on Testicular Cancer

NEW ORLEANS (AP)—The extent of chemotherapy needed to cure testicular cancer can safely be reduced by 25 percent, sparing some of the misery of the effective but difficult treatment, a study has found.

'Pathways' of Brain

By Sandra Blakeslee

LOS ANGELES — Stroke victims who suffer bizarre difficulties in recognizing faces, perceiving colors or seeing objects move are helping to support a new theory that the brain is organized along parallel pathways.

The theory suggests that the visual system and perhaps other cognitive processes are divided into separate parts with distinct functions. The perceptions of form, color, depth and movement, for example, seem to be carried out in separate areas of the brain, although there is a degree of "cross-talk" between areas.

New human experiments are remarkably consistent with recent animal research, said Dr. Antonio R. Damasio, a neuroscientist at the University of Iowa College of Medicine, whose research is reported in Neurology.

The study involved prosopagnosia, an extremely rare syndrome in which people lose the ability to recognize faces, including those of close relatives and even their own mirror images. The condition became more widely known because of the book "The Man Who Mistook His Wife for a Hat," by Dr. Oliver Sacks. Prosopagnosia is caused when a stroke, a head injury or a form of encephalitis destroys small, matching areas of tissue deep in both sides of the brain.

Dr. Damasio and his colleagues asked: If visual information is carried along more or less separate channels, can prosopagnosics still see information in the faces of the people that they cannot recognize? Are some channels still working?

Four patients with profound loss of recognition participated in the study. The size and location of each patient's brain lesions were pinpointed by computer tomography and magnetic resonance imaging.

In the study, the subjects were asked to identify six facial expressions in photographs: anger, fear, surprise, happiness, disgust and sadness. They were then shown 30 photographs of strangers and asked to estimate age and sex. Finally, the four brain-damaged patients were shown photographs of people they should know.

Dr. Damasio said three patients were just as adept as the people with normal vision at assessing expressions, age and sex, but, for the most part, they could not recognize faces. The fourth, a 27-year-old architect whose brain lesions were more extensive, could recognize only happy expressions, had difficulty estimating age and identifying sex, and failed to recognize any face that should have been familiar.

The experiment demonstrates that some prosopagnosics are able to process detailed information about the faces, Dr. Damasio said. "Age is difficult to determine," he said. "You need to look at skin texture and elements like wrinkles and furrows in the face. To judge texture, a person needs a fine level of perception. In these patients, it is intact. Sex is easier to estimate and that ability is also intact, he said.

But recognition of faces is a different problem, in which specific memories must be retrieved to help identify each face, he said.

"In our model," Dr. Damasio said, "the image of a face enters the eyes, is broken down by the visual system into different channels for analysis, and fanned out to various areas of the brain. Many regions are processing the image correctly, but the step to individual face recognition is aborted before it can evoke specific memories."

The experiments support other findings that visual signals are not processed by a single hierarchical system but are fed into separate processing systems.

"The fact that an object's shape, color, position and motion appear unified, even though each component is analyzed separately, can be compared to the experience of listening to someone speak," said Dr. Margaret Livingstone, associate professor of neurobiology at the Harvard Medical School. "You hear that person's voice and see his mouth move without being aware that the two are processed independently."

Perceiving the Human Face: A New Theory

Experiments indicate that perceptions of closely related aspects of the face may be processed through independent channels in the brain. The key clue came from brain damaged people who could not recognize a face and yet could recognize its expressions. The open white arrows outline the beginning of a complex two-way network of brain regions believed to be necessary for recognizing facial identity. The solid black arrows outline a more restricted network for recognizing facial expressions.

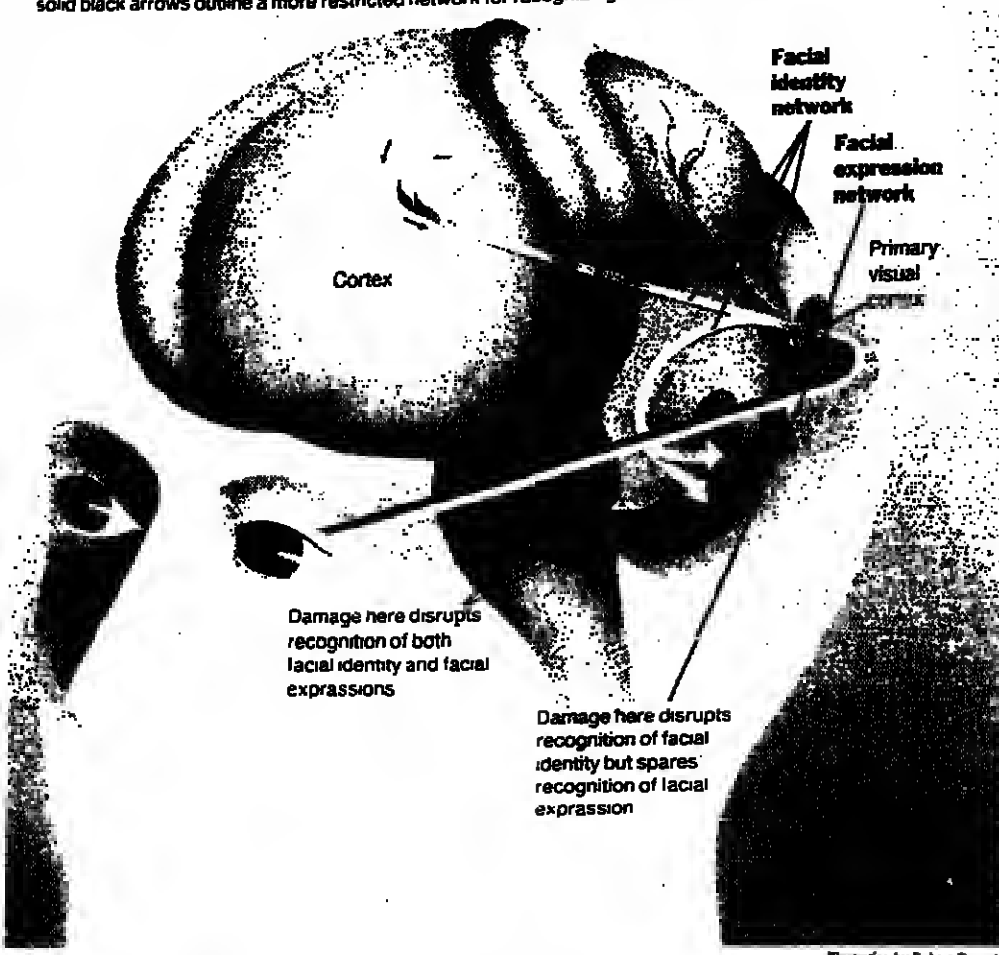


Illustration by Robert Coural

As Science Moves Into Industry, Secrecy Is Rising

By William J. Broad

A decade ago, as university researchers developed ties with biotechnology companies, the specter of growing secrecy brought wide predictions of great damage to science. Now, with those links well established, even expected, and commercial enterprises reaching out to more of science every day, some contend that their worst fears are coming true.

Provoking the latest concern is a White House proposal to restrict the flow of information to foreign rivals in an area of research rich with commercial potential: the newly discovered superconductors, materials that lose all resistance to electricity at higher temperatures

than materials achieved in the past. "This proposal is seriously misguided," Robert L. Park, director of public affairs for the American Physical Society, said at a recent congressional hearing. "This reeks of chauvinism and ignores the international character of the research."

But proponents say the benefits of expanded commercial secrecy include a better chance for rapid innovation and for upstaging rivals. "It's a fascinating issue," said Gordon T. Longeborn, an official at the Lawrence Livermore National Laboratory in California. "Should scientific inquiry be conducted in a totally open environment? Or should we contain it a little bit, in some selected areas, long enough for American industry to take advantage of it first? That's a key question. It's permeating the whole scientific community right now."

Critics of the new commercial secrecy say the risks include a possible drop in long-term productivity if the intellectual ferment of public science fades and if speculative projects are set aside for practical ones.

"Secrecy violates the social nature of science, the idea that science is shared, that it's a cumulative activity," remarked Dorothy Nelkin, a sociologist at Cornell University who has written widely on science policy. Among the dangers, she added, were not only productivity "breakdowns" but the tarnishing of the scientific image. "As scientists

are seen as profiteers, they might get less public support," she said.

The ethic of open scientific publication had its inception three centuries ago. In this practice, reports of new discoveries are rushed into scholarly journals so insights can be widely shared, spurring the work of others and bringing public recognition to the scientists.

In contrast, the new commercial secrecy seeks to delay publication of research findings or to eliminate it altogether so industry can use the secret research to make innovative products no rival can match. The reward for researchers tied to such ventures is money rather than public acclaim.

SCHOLARS say the fundamental force behind the expansion of industrial secrecy is the narrowing of the gap between science and technology, between understanding nature and using that knowledge to shape the natural world through new technologies and products.

In the early days of science, discoveries often found practical application only after the passage of decades or centuries, encouraging the free flow of ideas. But today the delay can be as short as years and sometimes months. The result is that industry and inventors are increasingly eager to tap science as soon as possible and to monopolize its findings.

Recently, the expansion of industrial secrecy has spread to the U.S. system of hundreds of federal

laboratories, which do everything from hybridizing wheat to making atom bombs. The links between the federal labs and industry have been encouraged by Congress and the administration, which are eager to increase American industrial innovation and productivity.

A partnership recently formed at the Los Alamos National Laboratory in New Mexico, where federal researchers agreed to collaborate on supercomputer research with the International Business Machines Corp. The joint aim is to perfect a new, more powerful machine.

Claudia Konatz, an IBM spokeswoman, said the company had the right to review Los Alamos manuscripts that might arise from the joint project and that it was "possible but highly unlikely" that it would prohibit publication.

The secrecy surrounding industry's ties to universities and federal laboratories has generally prompted mild debate. However, the White House recently tried to open the secrecy umbrella to cover not just specific partnerships with private companies but a whole class of basic research, touching off a firestorm of protest from scientists.

The effort got under way last July when the White House denied all foreign officials and scientists access to a major conference in Washington on the commercial applications of superconductivity. The move was engineered by President Reagan's science adviser, William R. Graham.

At the meeting, President Reagan hailed a "new arena for the spirit of enterprise" as he unveiled an 11-point program to help America beat foreign rivals in commercializing new superconductor breakthroughs.

Then in February, the administration sent Congress its Superconductivity Competitiveness Act, which has a provision for withholding "commercially valuable" scientific information developed in federal laboratories from release under the Freedom of Information Act, in theory hiding their work from foreign rivals.

"It touched off a hrouhaha," noted Deborah Runkle, a policy analyst at the American Association for the Advancement of Science in Washington. The fear among scientists, she said, was that the act would encourage broad secrecy in a pivotal area of basic research. The act was assailed at a hearing held by Senator Patrick Leahy, Democrat of Vermont, before the Senate subcommittee on Technology and the Law.

Ms. Runkle said the science association was now considering a session at next year's annual meeting to investigate how commercial competition is affecting scientific communication and secrecy. A danger, she said, is that politicians might try to use scientific secrecy as a weapon in trade wars.

"There's a great urge to punish countries that are competing with us," she noted. "That could spill over into the science realm."

INTERNATIONAL POSITIONS

Required by the WORLD FOOD PROGRAMME at Rome Headquarters SENIOR PUBLIC AFFAIRS OFFICER The World Food Programme (the Food Aid Organization of the United Nations system) has a vacancy in Rome for a Senior Public Affairs Officer in its Information and Public Affairs Branch.

SECRETARY GENERAL International Planned Parenthood Federation (IPPF), the largest worldwide voluntary family movement, seeks a Secretary General to head its international secretariat in London.

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FROM 1875... REW THURSDAY, MAY 26, 1988

ECONOMIC SCENE

Debate on Next Collapse Evolves Into Fight for Turf

By PETER PASSELL New York Times Service

NEW YORK — The prose is hard to distinguish from that in a thousand other official reports destined to disappear into the void: a boiler-plate introduction, recommendations for "important initiatives to be implemented in timely fashion," a slew of scholarly appendices. But the message that the White House Working Group on Financial Markets delivered last week hit Washington like a bucket of ice water. Congress, the group concluded, cannot stop change on Wall Street and should not try. The report, which rejected both limits on computerized trading techniques and higher margin requirements for "derivative" securities, will not silence calls for a regulatory Valium for the stock market's jitters. It should help, however, to expose the debate over how to prevent the next collapse for what it is fast becoming: a fight for turf in the rapidly evolving market for securities. The White House group, whose chairman was George D. Gould, undersecretary of the Treasury, had been widely expected to call for rule changes to inhibit high-speed trading techniques. Instead, the panel delivered a warning to those who would "undo the changes in financial markets or market strategies brought about by improvements in telecommunications or computer technology."

The word to Washington to keep hands off the stock market hit like a bucket of ice water.

The panel dismissed the conventional wisdom that stock index options and futures are primarily the tools of speculators. Such derivative securities, the report said, allow big institutional investors to get in or out of the market at very low cost. Moreover, the panel said, indirect arbitrage, the process of taking opposite positions in the "cash" and derivative securities markets, is not likely to make stock prices more volatile.

Why, then, have so many on Wall Street become obsessed with the need to drive the new derivative securities from the temple? The cynical (and generally convincing) explanation is self-interest. Two decades ago, Wall Street's bread-and-butter customers were affluent individuals, the neurosurgeons and corporate lawyers who paid high commissions for small quantities of securities. The right tailor and the right school tie mattered more than a good record as a stock picker.

TODAY, institutions buy and sell most securities, and commissions on stocks have been driven down to pennies a share. Most of the selling is wholesale rather than retail, and good manners hardly count. The October collapse did not alter the competitive realities. But it has produced an alliance of convenience between the remnants of the old guard and elements of the new.

"Full service" brokers, who rode the great bull market to profitability by rapid turnover of their retail clients' accounts, have been hit badly. So, too, have stock mutual funds.

Hoping to persuade smaller investors that it was safe to come back, they persuaded the New York Stock Exchange to limit "index arbitrage" access to the exchange's automated trading system. They used boycott threats to stop arbitrageurs from trading for their own accounts. And they have been lobbying Congress for higher margin requirements on derivative securities that would bring business back to the cash market for stocks.

Hence the immediate political significance of the White House working group's report. It is likely to toughen congressional resistance to any quick fix for investor confidence.

By the standard view, this represents an unexpected victory for the derivative securities markets in Chicago, which have been on the defensive since the crash. It is that, but it is also a victory for prudent government. The report will force Washington to think twice before taking sides in Wall Street's civil war.

Tenneco To Sell Oil Unit

Expected Price Up to \$8 Billion

Compiled by Our Staff From Dispatches

HOUSTON — Tenneco Inc. offered Wednesday to sell its oil and gas business to reduce debt, and analysts said the price could be as high as \$8 billion.

Tenneco, a conglomerate with revenue of \$14.8 billion in 1987, said its Tenneco Oil Co. subsidiary had sales of \$3.3 billion and operating income of \$233 million in the year. Analysts suggested that such cash-rich oil companies as Exxon Corp., Royal Dutch/Shell Group or Pennzoil Co. might bid for the Tenneco unit.

Tenneco said that in addition to reducing debt, proceeds from the sale might be used to repurchase shares of the company's common stock. Standard & Poor's Corp., the rating agency, upgraded Tenneco's \$6.6 billion in debt as a result of the sale decision.

The sale of oil and gas operations would leave Tenneco with an interstate natural gas pipeline and a portfolio of industrial businesses.

Tenneco said it would maintain its annual dividend at \$3.04 a share. It also said its board had adopted a stockholder rights plan to deter coercive takeover tactics.

Tenneco's stock rose \$4.25 to close at \$45.625 a share Wednesday on the New York Stock Exchange.

Tenneco executives said they would consider selling Tenneco Oil either as a whole company or in segments. The unit is engaged in exploration and production as well as refining and marketing.

James L. Ketelsen, Tenneco's chairman and chief executive, said the unit was being sold "to unlock its underlying value now rather than waiting an indeterminate period for higher oil and gas prices."

"The new Tenneco will be a financially stronger and more focused company," he said. "With significantly reduced debt and capital expenditure needs, the company's earnings should improve materially."

Four of Tenneco's industrial businesses are market leaders with strong earnings growth, he added. They are Tenneco Automotive, Packaging Corp. of America, Newport News Shipbuilding and Albright & Wilson, an international specialty chemical manufacturer. (Reuters/UPI)

A Steel Superstructure in Japan

Cost-Cutting Has Spurred Industry Boom

By Patrick L. Smith International Herald Tribune

TOKYO — When Japan's leading steel companies announced sweeping plans to restructure their operations a year ago in response to rising costs and falling exports, diversification was held out as the industry's last, best hope for survival in a suddenly uncertain future.

The oil-soaked steelmakers, pinched by the high yen's effect on sales abroad, began launching dozens of subsidiaries, ranging from a mushroom farm to myriads of high-technology ventures. A newspaper cartoonist pictured Nippon Steel Corp., the industry leader, as evolving into a cross between Fujitsu, the giant computer concern, and Mitsubishi Real Estate, a leading Tokyo property company.

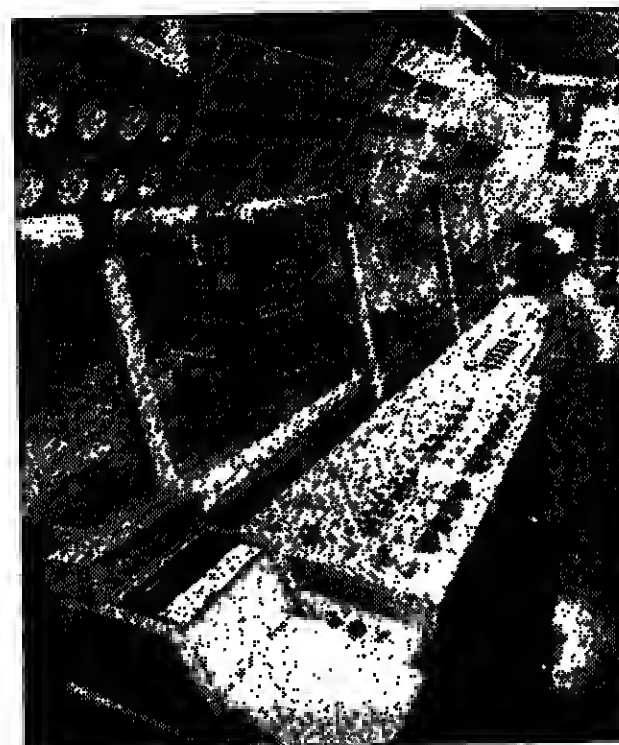
But when the Big Five, as they are known here, report their annual results on Friday, new businesses will be entirely beside the point. More than anything, analysts say, the numbers will reflect rigorous cost-cutting efforts in the past year, favorable market conditions and the industry's determination to continue competing in its core business.

After operating losses of 468 billion yen (\$3.75 billion) last year, the Big Five — Kawasaki Steel Corp., Sumitomo Metal, Nippon Kokan, Kobe Steel Ltd. and Nippon Steel Corp. — are expected to show profits of 35 billion yen on steel operations for the financial year ending March 31. Sales of shares, land and other assets are likely to add 80 billion yen or more to that figure.

Prospects for the current year, financial analysts and company executives say, are even brighter. At Kawasaki Steel, which is viewed widely as the most thoroughly restructured of the Big Five, operating profit is forecast at 80 billion yen this year, a four-fold increase from what the company is expected to report Friday for last year.

"Terminé" is the appropriate word," said Makoto Hirayama, a steel analyst at Nomura Research Institute. "It's a textbook case in how to rationalize integrated steel companies."

By the early 1990s, industry analysts say, Japanese producers may well achieve the two ambitious targets they set last year: competing effectively with South Korea, thus fending off



A rolling mill control room at Nippon Steel's Kimitsu plant.

most serious threat, and raising profit margins from a historic 8 percent to about 15 percent.

A move into higher-quality products, which the South Koreans cannot produce, is part of this strategy. Specialty steels are expected to account for a quarter

own a U.S. steel company when it completes its purchase of the Pittsburgh-based National Steel Co. in a few months.

Diversification out of steel production is clearly continuing, chiefly because it is seen as a long-term necessity. But producers are now coming to recognize that other industries are not necessarily less bruising than steel has been, particularly for newcomers.

Nippon Steel, for instance, which has gone farthest afield, has already launched 34 new units and entered into 10 joint ventures. Although the company is adhering to its announced goal of reducing steel operations to 50 percent of revenues by 1995, doubts are already apparent.

"Diversification is a vision, not a concrete plan, and it's already obvious it will be difficult," said Yoshiro Sasaki, managing director of Nippon Steel. "We're now considering just how close we can get to our targets."

That realization has been one factor in shifting the industry's attention back to its core operations in recent months. More immediate, however, has been an unexpected surge in domestic demand for basic steel products.

Braced for their second consecutive year of declining output, producers saw production rise to 102 million metric tons in the

view on the ways and means of developing" the Coke brand in France.

Pernod, a family-controlled beverage company with 1987 sales of 10.7 billion francs, has been Coca-Cola's main bottler in France since 1949. Its product line also includes the anis-flavored liqueur, Pernod and Ricard, Wild Turkey bourbon and Orangina, an orange soft drink

The feud also threatens the long-awaited launch of sugar-free Coke in France. A French law forbidding the use of artificial sweeteners in food products was lifted earlier this year, opening the way for the development of new products in France.

To emphasize that there is no turning back, Pernod earlier this month filed suit in a Paris commercial court, charging Coca-Cola with improperly breaking its legal commitments to Pernod. Coca-Cola has not yet responded.

The Coke-Pernod battle surfaced in January, when Patrick Ricard, Pernod's chairman, announced that negotiations had begun to work out an amicable separation. The problems, he said, concerned "diverging points of

where it largely overshadows its chief competitor, Pepsi-Cola, which is distributed by Source Perrier SA.

"The sooner we separate, the better," said the Pernod official, who asked not to be named. "We have 900 people working to sell the brand in France and they're all asking questions about their future, which means they can't be selling well."

The conflict, now in its fifth summer, could harm Coke sales this summer in the French market,

Britain Clears Nestlé's Offer For Rowntree

By Warren Getler International Herald Tribune

LONDON — The British government, rejecting protectionist arguments, said Wednesday that it would allow Nestlé SA of Switzerland to proceed with its £2.1 billion (\$3.9 billion) takeover bid for Rowntree PLC, Britain's second largest candy maker.

The decision by the Department of Trade and Industry not to refer the hostile bid, of 890 pence per share, to the Monopolies and Mergers Commission for review immediately triggered a £2.1 billion, or 940 pence per share, bid from Jacobs Suchard AG.

Suchard, another Swiss food company, owns a 29.9 percent stake in Rowntree. The government also decided not to refer its holding for review.

Rowntree has rejected the bid by Nestlé and indicated that it wants to remain independent. It stock gained 83 pence to 1,000 pence on the London Stock Exchange. Analysts said the gain indicated that Nestlé planned to top Suchard's bid.

Lord Young, the British trade and industry secretary, said Nestlé's proposal did not raise competitive issues within the British candy market. Rowntree accounts for about 26 percent of the market, but Nestlé holds only about 3 percent and Suchard has around 3 percent.

Worldwide, Rowntree had sales of £1.4 billion last year. Suchard is more than one and a half times as big, while Nestlé's revenue is almost 10 times that of the British company.

Nestlé, which launched its offer a month ago, owns 16.1 percent of Rowntree. That means that at least 46 percent of Rowntree already is the hands of foreign interests. Analysts said they were convinced that Rowntree would fall to one of the two Swiss multinationals, but at a price above 1,000 pence a share.

"The market had expected that Suchard might come in with a stab around £10," said Christopher Wheeler, an analyst with Phillips & Drew, a London brokerage house owned by Union Bank of Switzerland. "The fact that Suchard has come in lower suggests that the final bidding might end up around £10 or just above."

"I think you have to back Nestlé as the prospective owner because they're the bigger and financially stronger company," he said. "They've got more firepower."

Suchard's 29.9 percent stake in Rowntree represented the most it could hold before being obliged to launch a full bid under British law. Within minutes of the government's announcement that it had cleared Nestlé's offer and Suchard's holding, Suchard said it had requested talks with Rowntree's board with the intention of making a friendly offer at 940 pence per share.

Suchard's offer is not expected to receive board approval from Rowntree, which in recent weeks has repeatedly asserted its intention to remain independent.

On Wednesday, Rowntree's chairman, Kenneth Dixon, again rejected the Nestlé offer, saying his stake in Rowntree, which he had requested talks with Rowntree's board with the intention of making a friendly offer at 940 pence per share.

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Currency Rates

Table with columns for City, Currency, and Rate. Includes entries for Amsterdam, London, Frankfurt, etc.

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Suddenly for Pernod Ricard, Things Are Not Going Better With Coke

By Jacques Neher Special to the Herald Tribune

PARIS — After almost 40 years of apparently smooth relations, Coca-Cola Co. and Pernod Ricard SA, Coke's French bottler, find themselves close to divorce.

At issue is Pernod's belief that it has been betrayed by the French leading soft drink company. After spending long, unprofitable decades teaching the French to buy the most American of products, Pernod contends that the Atlanta-based company is seeking to take over the business for itself, now that it is profitable.

For its part, Coca-Cola believes the French are not drinking enough Coke, and the company blames Pernod for that shortcoming.

While Coca-Cola hints that reconciliation might be possible, Pernod officials think the relationship is ruined.

A Pernod official says the core of the conflict is Coke's desire "to take over the French market."

The only thing left to discuss, Pernod says, is how much Coke must pay in order to annihilate itself from licenses that give Pernod rights to bottle and market the



Patrick Ricard

Coke brand throughout most of France until the end of the century. Analysts say they think Pernod has sought 1.5 billion to 2 billion francs (\$260 million to \$348 million) as compensation.

The conflict, now in its fifth summer, could harm Coke sales this summer in the French market,

where it largely overshadows its chief competitor, Pepsi-Cola, which is distributed by Source Perrier SA.

"The sooner we separate, the better," said the Pernod official, who asked not to be named. "We have 900 people working to sell the brand in France and they're all asking questions about their future, which means they can't be selling well."

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Advertisement for CORUM watches, featuring a large image of a watch and the text 'CORUM' and 'Designs on time'.

Advertisement for Investors World, featuring the text 'investors world inc GUARANTEED INCOME ON THE STOCK MARKET?' and a coupon form.



NYSE Most Actives table with columns for Vol., High, Low, Last, Chg.

Market Sales table with columns for NYSE 4 a.m. volume, NYSE adv. volume, etc.

NYSE Index table with columns for High, Low, Close, Chg.

Wednesdays NYSE Closing logo and text: Via The Associated Press

AMEX Diary table with columns for Adv. Declined, Unchanged, etc.

NASDAQ Index table with columns for Class, Chg., Prev., Week, Year.

AMEX Most Actives table with columns for Vol., High, Low, Last, Chg.

Dow Jones Bond Averages table with columns for Bonds, Utilities, Industrials.

NYSE Diary table with columns for Adv. Declined, Unchanged, etc.

Odd-Lot Trading in N.Y. table with columns for Buy, Sell, % of 100.

Dow Jones Averages table with columns for Ind. Trans, Util., Comp.

Standard & Poor's Index table with columns for High, Low, Close, Chg.

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AMEX Stock Index table with columns for High, Low, Close, Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Mixed After Late Selling

United Press International NEW YORK — Prices on the New York Stock Exchange ended mixed Wednesday as investors worried over the outlook for the economy sparked a sell-off late in the day, erasing modest gains the market clung to for most of the session. The Dow Jones industrial average fell 1.6 to close at 1,961.37. The Dow had been up by more than 11 points early in the day. It rose 21.05 on Tuesday. Advances edged declines by about a 7-6 ratio. Volume was 138.31 million shares, slightly lower than the 139.93 million shares traded Tuesday. "The market basically did nothing all day," said Jay Goldinger of Capital Insights Inc., an institutional brokerage based in Beverly Hills, California. "And then at the close sold off on concerns the GNP number will be a little stronger than would be liked." The revised first-quarter gross national product data is due out Thursday. Broader market indexes showed modest gains. The New York Stock Exchange composite index rose 0.24 to 143.77. Standard & Poor's 500-stock index gained 0.25 to 253.76. The price of an average share gained 5 cents. Jim Andrews, first vice president in charge of institutional trading at Janney Montgomery Scott Inc. in Philadelphia, attributed early gains to a continuation of Tuesday's bargain hunting. Mr. Andrews said the market was approach-

ing a technical support level of 1,970 to 1,990, as measured by the Dow. "I think if we can hold in here we'll be fine for a while," he said. "We still have to characterize the rally as a technical rally until proven otherwise," said Ralph Bloch, chief market analyst at Raymond, James & Associates in St. Petersburg, Florida. "So far the quality of the rally in terms of volume and breadth is relatively lackluster." In recent weeks the stock market has been plagued by worries about high inflation and interest rates, confirmed by a steady stream of government reports showing an economy expanding at a higher than expected rate. Mr. Bloch said the "real question is whether the sell-off has concluded or not, and the evidence is still out as far as I'm concerned." Utah Power & Light was the most active NYSE-listed issue, up 3/4 to 31. It was followed by Tenneco, up 4/8 to 45%. Tenneco announced plans to sell its oil and gas business. Upjohn was third, ahead 2/8 to 31 1/4. Among the blue chips, General Electric lost 1/4 to 39%. General Motors fell 1/8 to 23 3/4 and USX lost 1/8 to 29 1/4. IBM ended down 1/4 at 108 1/4. AT&T lost 1/4 to 26 1/4. In other technology issues, Cray Research was up 1/4 to 75 1/4. Texas Instruments rose 1/4 to 43 1/4 and Digital Equipment finished unchanged at 102 1/4.

Large table of stock prices (A-F) with columns for 12 Month High, Low, Stock, Div., Yld., PE, % Chg., High, Low, Last, Chg.

Large table of stock prices (G-L) with columns for 12 Month High, Low, Stock, Div., Yld., PE, % Chg., High, Low, Last, Chg.

Large table of stock prices (M-R) with columns for 12 Month High, Low, Stock, Div., Yld., PE, % Chg., High, Low, Last, Chg.

Large table of stock prices (S-Z) with columns for 12 Month High, Low, Stock, Div., Yld., PE, % Chg., High, Low, Last, Chg.

Large table of stock prices (AA-AA) with columns for 12 Month High, Low, Stock, Div., Yld., PE, % Chg., High, Low, Last, Chg.

Vertical advertisements on the right margin including Riney, Saatchi & Saatchi, and various financial services.



BUSINESS ROUNDUP

Midi Stock Soars on Generali Report

By Jacques Neher
Special to the Herald Tribune
PARIS — Compagnie du Midi's stock soared 9 percent Wednesday after an official of Assicurazioni Generali SPA made a statement...

The price closed at 1,550 francs. Trading volume was heavy. At his noon news conference, Mr. Rosa had said that Generali and its backers had accumulated a 20.86-percent stake in Midi...

American Airlines Sets Order for Boeing 757s

Compiled by Our Staff From Dispatches
NEW YORK — In a major boost for Boeing Co.'s fuel-efficient 757 passenger planes, American Airlines said Wednesday that it would buy up to 100 of the jetliners...

falling fuel prices have kept the planes cost-efficient. Switching to new aircraft also requires extensive new training systems for pilots...

Under the agreement, American will acquire 50 757s with an option to purchase 50 more. Robert C. Crandall, the chairman of American's parent, AMR Corp., would not disclose a dollar figure for the purchase...

An Allegis spokesman in Chicago would neither confirm nor deny that such an order was pending, or say whether Allegis was negotiating with Boeing.

American will take delivery of the planes starting in 1989. They are primarily designed as replacements for the aging 737s and 727s in American's fleet.

So far this year, Boeing has received orders for 40 757s. From the time Boeing announced development of the plane in 1978 through the end of 1987, just 239 of the planes had been ordered.

The airline said it had chosen Rolls-Royce engines to power the twin-engine 757 jets. Rolls-Royce PLC said the order for its RB-211 engines was worth more than \$1.86 billion.

Even with the possibility of growing orders, a Boeing spokesman said the company had no immediate plans to add workers to its 757 production line or to increase output from the current rate of four 757s a month.

Boeing's stock price, which had risen strongly in recent days on speculation that the American purchase would be announced, fell 37.5 cents on Wednesday to \$53.50 on the New York Stock Exchange.

Orders are indicators of future business for Boeing, since the company is not paid by customers until planes are delivered.

The order is Boeing's second major one this month. International Lease Finance Corp. of Los Angeles said last week that it would buy 100 aircraft and options for 20 others, valued at more than \$4 billion.

Paul Nisbet, an aerospace analyst at Prudential-Bache Securities Inc. in New York, said the American order meant the time had come for an aircraft program "that was the fly to the ointment" for Boeing, he said.

The 757, which can carry 194 passengers, uses 25 percent less fuel than comparable planes and is a medium- to long-range aircraft.

New orders, he said, may turn "what has been a continuous-loss program into what will be a continuous full-production line."

CHOCOLATE: Nestlé Bid for Rowntree Is Cleared

(Continued from first finance page)
Among the English working class of the day. The company has maintained a paternalistic attitude toward its workers and is active in charitable causes.

Implications for the move to a single European market in 1992. The European Community has targeted 1992 as the year by which all trade barriers in the community will have been dismantled.

BAT Reports 14% Rise In First-Quarter Profit

LONDON — BAT Industries PLC reported Wednesday that first-quarter pretax profit rose 14 percent, to £283 million (\$528 million) from £248 million a year earlier.

COKE: 40-Year Relationship Has Run Into Trouble

(Continued from first finance page)
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A NEW GUIDE TO THE INS AND OUTS OF THE CITY OF LONDON.

London City Airways fly to Amsterdam, Brussels and Paris. But wherever your next business meeting is, you can save time when you fly with us.

Pepperell Told By Farley of Stake Interest

WEST POINT, Georgia — West-Point Pepperell Inc., the largest U.S. textile maker because of a recent acquisition, said Wednesday it had been notified that Farley Inc. might seek to purchase up to 25 percent of its stock.

NTT Net Profit Soared 64% in Latest Year

Compiled by Our Staff From Dispatches
TOKYO — Nippon Telegraph & Telephone Corp. said Wednesday that its net profit soared 64.3 percent in the latest financial year, attributing the gain to cost-cutting and brisk telecommunications sales.

Japanese Electronics Makers Report Gains

Compiled by Our Staff From Dispatches
TOKYO — Three big Japanese electronics companies reported on Wednesday large profit increases for the latest fiscal year, citing factors such as strong computer sales and brisk domestic demand.

Chase Enters Debt Swap Pact

SAO PAULO — The U.S.-owned Banco Chase Manhattan SA will sign an agreement soon to convert \$240 million of Brazilian debt into investments in Autolatina.

STEEL: Cost-Cutting Has Been Key to Boom in Japan

(Continued from first finance page)
year to March 31, a gain of 6 percent and 8 million tons above most predictions. Several days ago the Iron and Steel Federation, the national industry association, raised its production forecast for the current year from 97 million metric tons to more than 100 million.

A Downside in Grand Met's High Profile

PARIS — Grand Metropolitan PLC of Britain, a food and beverage company with a large number of brand names and marketing agreements that do not appear on its balance sheet, might become a takeover target, the company's chairman, Allen Sheppard, says.

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BUSINESS SCHOOL LAUSANNE SATURDAY M. B. A. Earn an MBA by taking our Saturday only program. 8 hours of classes each Saturday - internal exams.

Indigo Take-off A recent billion-dollar bond fund offering will yield 8 percent and Indigo says the continued expansion of Advanced Micro Devices and Western Digital will drive from a total of \$8 billion in new sales...

Asia Pacific Growth Fund Weekly net asset value on 20-5-1988 U.S. \$38.07 Listed on the Amsterdam Stock Exchange

Tokyo Pacific Holdings N.V. Weekly net asset value on 23-5-1988 U.S. \$29.22 Securities 71% Liquidities 29%

Banque Vernes & Commerciale de Paris On May 19th 1988, the annual meeting of shareholders met under the chairmanship of Mr. Fabrizio GIANNI and approved the motions proposed by the Board of Directors.

Knoedler-Modarco Ltd. (Successor to the business of Knoedler-Modarco S.A.) Notice of Annual General Meeting of Shareholders to be held on June 1st, 1988.

BFCE continues to diversify to maintain growth: The Bank shows strong improvement in interbank and treasury operations. The meeting of BFCE's shareholders, chaired by Michel Freyche, on May 24, 1988, approved the Financial Statements for the year ended December 31, 1987.

LONDON CITY AIRWAYS A NEW GUIDE TO THE INS AND OUTS OF THE CITY OF LONDON. London City Airways fly to Amsterdam, Brussels and Paris. But wherever your next business meeting is, you can save time when you fly with us.



Wednesday's NYSE Closing

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U.S. Futures

Via The Associated Press

Table with columns: Season, Low, High, Open, High, Low, Close, Chg.

Grains

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Riney

By Philip H. Riney

NEW YORK

London — Hanson PLC reported Wednesday that pretax profit had risen 14 percent to \$36 million (\$63 million) for the half year that ended March 31, a performance that both the company and analysts called impressive.

Hanson's shares rose 1 to close at 132 pence on the London Stock Exchange, but analysts said they were confident the British-based industrial conglomerate was set for long-term growth.

One said: "It's a company which is looking towards the future, and that's not always appreciated in this market."

Hanson reported that revenue had risen more than 7 percent to \$2.7 billion. After-tax profit rose 17.5 percent to \$275 million.

The chairman, Lord Hanson, spoke of "an excellent first half" of the 1987-88 fiscal year.

Analysts were impressed with Hanson's cash generation, which they now estimated to be around \$500 million a month, and its ability to sell off parts of acquired companies at a profit.

Hanson said most of the \$211 million extraordinary income it reported Wednesday represented profit from the sale of its Ross Young frozen food unit to United Biscuits.

Japanese Investors Were Net Buyers of Foreign Stocks in April

TOKYO — Japanese investors bought a net \$146.3 million in foreign stocks in April through domestic and foreign exchange houses here, compared with net sales of \$335.4 million in March, the Japan Securities Dealers Association said Wednesday.

Gross purchases were \$655.50 million, down from \$734.58 million in March, while gross sales were \$509.19 million, down sharply from \$1.06 billion in March.

The securities dealers association's report was based on its monthly survey of 64 resident brokerages, both foreign and Japanese.

Gross foreign stock purchases from the United States in April totaled \$487.40 million, or 74.4 percent of the total, against \$566.16 million, or 78.1 percent, in March.

Gross foreign stock sales to the United States stood at \$364.66 million, or 71.6 percent of the total, against \$700.33 million or 69.9 percent in March.

Gross foreign stock purchases slowed because investors found it more profitable to buy Japanese shares than U.S. shares, association sources said. The steep decline in gross sales was due to the relative stability in the dollar/yen rate, they added.

Currency Rates Pinch Profits at Courtaulds

LONDON — Courtaulds PLC, Britain's biggest textile manufacturer, said Wednesday that its pretax profit for the past financial year had risen 9.7 percent to £220.6 million (\$411.9 million), but that the result was hurt by currency fluctuations.

Sales, also held back by exchange rate movements, grew 7 percent to £2.42 billion in the year that ended March 31, the company said. Per-share earnings also grew 7 percent, to 40.9 pence. Courtaulds said its profit was £15 million lower than expected and its sales £127 million below expectations.

By mid-afternoon, Courtaulds shares had slipped 15 pence to 346 pence on the London Stock Exchange.

Textiles remains Courtaulds' largest division, but contributes only 30 percent of its profit. Other activities include paints, fibers and packaging. Analysts said higher raw material prices, a fragile European market and new competition, especially from Turkey, contributed to the downturn in profit in the textile and fiber divisions, to £48 million from £59 million.

For the 1988-89 year, analysts are predicting pretax profit of at least £253 million.

Icahn-Texaco Talks End; Bid Reported Imminent

WHITE PLAINS, N.Y. — Texaco Inc. said Wednesday that it had ended talks with its largest stockholder, the investor Carl C. Icahn, because it could not favor him at the expense of other stockholders.

After the announcement, Wall Street sources said Mr. Icahn would launch an offer for Texaco. The sources said the offer would probably be made late Wednesday.

Mr. Icahn, who holds 14.8 percent of Texaco's stock, had wanted to reach a deal for Texaco to buy proportionately more of his stock than from other shareholders, the company said.

Texaco closed up \$1 at \$46.875 on the New York Stock Exchange. The announcement came after the close of trading.

The oil company said it may face a proxy fight, which Mr. Icahn has threatened in order to gain seats on its board. Texaco added it remains committed to its restructuring, which would include selling \$5 billion of assets.

London Commodities

Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

London Metals

Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

Dividends

Table with columns: Company, Per Ann, Div, Pay, Rec.

Spot Commodities

Table with columns: Commodity, Today, Prev.

DM Futures Options

Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

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Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

S&P 100 Index Options

Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

U.S. Treasuries

Table with columns: Bid, Ask, High, Low, Previous, Bid, Ask.

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Satchi Re

LONDON — Satchi Re, the British-based advertising group, Wednesday said that its profit for the first six months of 1988 rose 12.3 percent to £2.5 million from £2.2 million in the same period last year.

Revenue for the first six months of 1988 was £11.5 million, up from £10.2 million in the same period last year. The group's profit margin rose to 21.6 percent from 20.9 percent.

Satchi Re is a subsidiary of the Indian advertising group, Satchi Group. The group's revenue for the first six months of 1988 was £11.5 million, up from £10.2 million in the same period last year.

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# Riney and Saturn: Lilliputian Wins Giant's Share

By Philip H. Dougherty  
New York Times Service

**NEW YORK** — Hal Riney & Partners, the advertising agency that won the multimillion-dollar Saturn account from General Motors Corp., could have been voted the least likely competitor to succeed — on size alone.

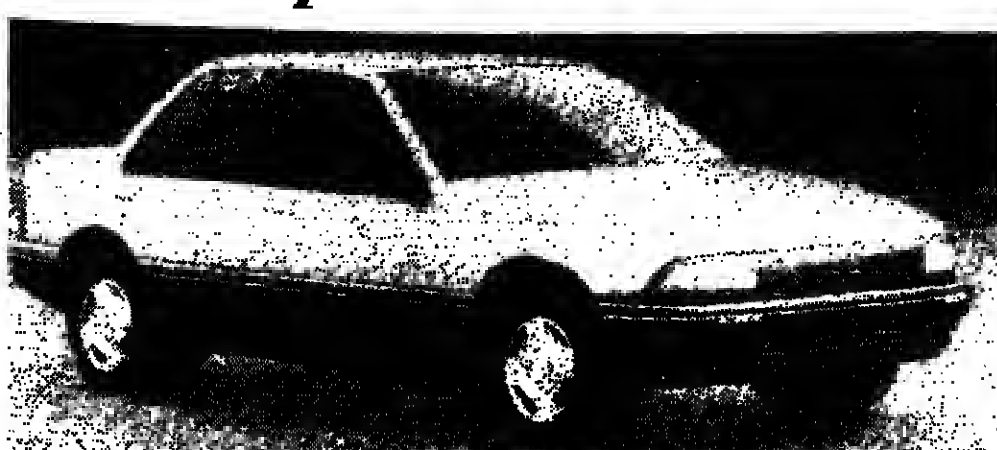
Big accounts generally demand big agencies. Riney has only \$200 million in billings and a staff of 185 among offices in San Francisco, Chicago and New York.

But Saturn management seems to be doing the unexpected, and that is Hal Patrick Riney's specialty. He was the man behind the folksy Bartles & Jaymes wine cooler television commercials in the United States and the elegant wedding spots for Gallo wines.

The stunning television work that helped put President Ronald Reagan back into the White House? Much of that came from Riney people.

In fact, Mr. Riney is becoming a Paul Bunyan figure in advertising, not only writing some of the best advertising around on his old Underwood typewriter but also frequently using his own soft speech for the voice-over.

The legend can only grow with the Saturn victory.



A prototype of the General Motors Saturn, which Hal Riney & Partners has been chosen to sell.

Mr. Riney, 55, and his people have been on their own for less than two years. He bought his agency from Ogilvy Group, which had set him up in business 10 years before.

His clients include Campbell Soup for its Swanson Frozen Food brand, Nestlé, Alamo Rent a Car, New Zealand Kivifruit Authority, the Oakland Athletics baseball team, Shalkee Corp., the corporate account of Anheuser-Busch, Austin Rover Cars for its Sterling and Amex Life Assurance Co.

The agency lost a major share of

its billings when it resigned the account of E&J Gallo Winery last year. Mr. Riney said the account billed about \$57 million.

Mr. Riney graduated from the University of Washington in 1954 and went to work two years later for Boston, Barton, Durstine & Osborn as an art director and writer, a rare combination of talents.

He was working for Botsford Ketchum in San Francisco, his second agency stop, when Ogilvy & Mather approached him about opening a West Coast office.

He has won a Grand Prix at the

Cannes Commercial Film Festival, 13 Clio's and nine Addy Awards from the American Advertising Federation, according to the 1986-87 Who's Who in America.

Not long ago large advertising accounts were not to be found on the West Coast. The Japanese auto companies changed that when they selected agencies near their ports of entry.

Now Riney, with the car that is being built specifically to cope with Japanese imports, has pulled some big business away from the Eastern crowd.

# Philippines Posts 7.5% Growth Rate

Manila — The Philippines' gross national product grew at a 7.5 percent annual rate during the first quarter, compared with 5.53 percent a year earlier, but President Corason C. Aquino warned Wednesday that injections of capital were needed to sustain growth.

The National Statistical Coordination Board said in a preliminary report that gross domestic product grew by 5.39 percent in the period, compared with 7.43 percent growth a year earlier. Both GNP, which measures the total value of goods and services, and GDP, which excludes income from investment abroad, were stated in inflation-adjusted terms.

Mrs. Aquino, speaking at a capital markets conference in the afternoon as the government released its report, said the consumer-led economic revival was straining productive capacity.

"To sustain the present growth we must generate more capital," she said.

Mrs. Aquino said capital markets in the Philippines had not been properly utilized and an overemphasis on short-term capital was creating interest rate instability and inhibiting long-range planning.

"We need long-term capital. We need liquidity for investors. We need stable interest rates," she said.

Prospero Castro, the coordination board's assistant secretary-general, said the industrial sector led the economic expansion in the first quarter with aggregate growth of 9.67 percent, compared with 10.69 percent growth a year earlier.

Personal consumption expanded by 5.25 percent in the three-month period, up from 3.95 percent.

# Australia to Cut Corporate Tax Rate

**Economic Package Aims at Spurring Competitiveness**

Canberra, Australia — The Australian government announced Wednesday a wide-ranging package of economic revisions, including a 10 percent cut in corporate tax and tariff reductions, aimed at making the country more competitive in world markets.

Treasurer Paul Keating told Parliament that the government forecast a 3 billion Australian dollar (\$2.36 billion) budget surplus for the financial year beginning July 1, to be achieved by cuts in government expenditure and a restructuring of the taxation system.

The economic statement usually forethinks the government's thinking on the annual budget, which is presented in August.

Among the measures Mr. Keating outlined were a cut in corporate tax from 49 percent to 39 percent, beginning July 1. The tax base will be expanded, he said, by a crackdown on tax avoidance and the dropping of the gold industry's income tax exemption, beginning on Jan. 1, 1991.

Mr. Keating said import tariffs of more than 15 percent would be lowered to 15 percent in steps over four years beginning July 1. Tariffs of 15 percent or less will be lowered to 10 percent over the same period. The government will also end its 2 percent import duty.

He said that the lowering of import tariffs excluded autos, textiles, clothing and footwear.

Protective tariffs would be reduced to lower costs and encourage the manufacturing sector "to look beyond Australia for market opportunities."

The tariff cuts would reduce the average rate of manufacturing production to 8 percent from 12 percent, according to Treasury papers issued with Mr. Keating's statement.

Economists and industry leaders said the statement was a positive step toward tackling the fundamental problems facing the Australian economy.

Westpac Banking Corp. said the further reduction of government spending should boost national savings and reduce the current account deficit without inhibiting the opportunity for private investment.

Mr. Keating said government spending would fall by 1.5 percent in 1988-89, the third successive decline in inflation-adjusted terms, with gross cuts of 1.35 billion dollars in military expenditures, welfare, roads and subsidies to the six states, which receive a share of federal income tax receipts.

Spending is expected to be reduced to just under 26 percent of gross domestic product from 30 percent in just three budgets, Mr. Keating said.

He said before delivering his speech that the 1987-88 budget surplus would exceed 1 billion dollars but that he could not be more precise. The government budgeted for a 27 million dollar deficit in September but late in 1987 revised the estimate to a 580 million surplus, mainly because of strong revenue growth.

Personal tax cuts will be introduced in 1989-90 provided wages remain restrained, he said. The top bracket for personal income tax in Australia is now 49 percent.

(AP, Reuters, AFP)

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(AP, Reuters, AFP)

# Seoul Improves Imbalance In Trade With U.S., Japan

SEOUL — South Korea's trade imbalance with both the United States and Japan showed substantial improvement in the first four months of 1988, according to statistics released Wednesday.

The trade surplus with the United States, which has been a source of friction between the two nations, declined. On the other end of the scale, the chronic trade deficit with Japan narrowed. Figures were released by the Trade and Industry Ministry.

The surplus with the United States for the first four months of the year fell by \$117 million from the 1987 period, to \$2.58 billion. Exports to the United States increased 19.3 percent to \$6.08 billion, but imports soared 45.8 percent to \$3.5 billion.

The trade deficit with Japan during the first four months shrank \$541 million to \$1.5 billion. Exports climbed 59.1 percent to \$3.56 billion, while imports increased 19.1 percent to \$4.87 billion.

Analysts said the decline in exports to the United States reflected appreciation of South Korea's currency against the dollar. In Japan, South Korean goods enjoy price advantages and increasing competitiveness in quality, an official said.

(AP, Reuters, AFP)

# Saatchi Records 12% Rise in Pretax Profit for First Half

LONDON — Saatchi & Saatchi Co., the British-based international advertising group, announced on Wednesday that pretax profits for the six months to March 31 rose 12.3 percent to £63.1 million (\$117 million) from £56.1 million a year earlier.

Revenues for the half rose to £1.9 billion from £1.83 billion. The results were in line with analysts' expectations.

Maurice Saatchi, the group's chairman, said the company expected "another excellent year" this year.

"We expect 1988 to deliver yet another excellent set of profits, and make further progress towards our new corporate objectives," he said.

Saatchi shares dropped 6 pence to 375 pence on the news, but later recovered to 386 pence.

Pretax profits in 1987 totaled £124.1 million, an increase of 77

percent from the 1986 total of £70.1 million.

In the next decade, the company hopes to raise profits in its communications and consulting divisions.

"Achievement of these objectives will produce annual profits in excess of the company's current market capitalization," Mr. Saatchi said.

Saatchi is capitalized at around £85 million.

# WPP Is Buying PPGH, A Dutch Ad Agency

LONDON — WPP Group PLC, the fast-growing marketing services company, said Wednesday that it was buying a Dutch advertising agency, PPGH Group BV, for up to \$37.9 million (\$70.8 million).

After £16.8 million cash payment, another £21 million may be paid depending on profit through 1992.

# Ad Slump, Newsprint Costs Hit U.S. Papers

By Alex S. Jones  
New York Times Service

**NEW YORK** — A slump in local retail advertising and higher newspaper prices are hurting many newspapers in the United States, according to industry analysts.

"Everybody's a little bit different, but no one is immune," said John S. Reidy, who watches the industry for Drexel Burnham Lambert Inc. "This thing is widespread, and we're in the doldrums."

Mr. Reidy said that since January he had reduced his earnings projections for newspaper stocks to 5 percent from 7 percent.

Newspaper prices, which account for 20 to 30 percent of a newspaper's costs, have increased by about 14 percent in the past 18 months.

Paper prices had been expected

to jump, but the softness in retail advertising surprises many in the industry.

The Newspaper Advertising Bureau, which monitors advertising for the industry, last month lowered its projection of growth in retail advertising expenditures to 6 percent for 1988. In January it projected growth of 8 percent.

Reasons for the slower growth include advertising cuts that are part of broad cost-cutting prompted by retailer consolidation, a decline in advertising support from manufacturers and slower retail sales.

The bureau also predicts that classified advertising spending will

grow about 9 percent in 1988, compared with 13 percent in 1987.

National advertising expenditures are expected to increase 7 percent in 1988, compared with 3 percent in 1987. But this category accounts for only 10 to 15 percent of ad revenue at most papers.

Industry analysts said the drop in retail advertising was unusual because it was accompanied by relatively robust gains in classified advertising.

A decline in retail advertising often reflects a recession, while classified advertising traditionally is an early indicator of recession.

But employers have swelled classified sections with help-wanted ads, said Edward J. Aiorina, industry analyst at Smith Barney, Harris Upham & Co.

# U.S. Distrusts Some Waters

U.S. officials are expressing concern over the results of a study by the National Oceanic and Atmospheric Administration (NOAA) that shows a significant increase in the number of marine mammals, such as whales and dolphins, that are being killed in U.S. waters.

The study, which was conducted by NOAA's Office of Marine Resources, found that the number of marine mammals killed in U.S. waters increased by 15 percent over the past five years.

U.S. officials are concerned about the impact of this increase on the marine ecosystem and the potential for overfishing of marine mammals.

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# INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) 25th May 1988

Not all asset value quotations are supplied by the Funds listed with the exception of some quotes based on issue price. The marginal symbols indicate frequency of quotations supplied: (d) - daily; (w) - weekly; (bi) - bi-monthly; (tr) - quarterly; (o) - twice weekly; (m) - monthly.

Fund Name	Asset Value	Frequency
ALMAAL GROUP	100.00	(d)
(w) American Growth	112.44	(d)
(w) American Income	107.29	(d)
(w) American Bond	107.29	(d)
(w) American Div	107.29	(d)
(w) American Growth	107.29	(d)
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كنا من الاصل

SPORTS

Eindhoven Wins Cup On Last Penalty Shot

The Associated Press
STUTT GART — PSV Eindhoven won the European Champions Cup on Wednesday night by beating Benfica of Lisbon in a dramatic penalty shootout following a scoreless tie after 90 minutes of regulation and then overtime.

Both teams played cautiously in an uneventful first half, playing a tight defense with close marking that left little room for forwards. But after the interval, both teams switched into a higher gear, providing some entertaining soccer.

In the 56th minute, Benfica suffered a setback when Rui Aguas limped off the field with a thigh injury after being struck by a strong shot from Leby. Aguas was replaced by Wando, a quick and skillful Brazilian who gave a lot of trouble to the Eindhoven defense as Benfica sought to win the cup for a third time after a 27-year drought.

Graf Wins and Fires Shot at Navratilova; 4 Open Seeds Upset

The Associated Press
PARIS — Having more problems with a head cold than her opponent, defending champion Steffi Graf breezed Wednesday into the third round of the French Open and issued a warning to Martina Navratilova, the top challenger for her No. 1 ranking in women's tennis.

After 50 Days, Not a (1) Balk

The Associated Press
NEW YORK — After 50 days and 50 nights, major-league baseball Tuesday had its first balk-free day of 1988. In 14 games, not one balk was committed. Pitchers all came to a stop and so did an unrelenting string: 416 balks in the season's first 544 games.

Indians' Swindell First To Win 9 Games in '88

Compiled by Our Staff From Dispatches
CHICAGO — Greg Swindell became the first nine-game winner in the major leagues Tuesday night by four-hitting the Chicago White Sox for 8 1/2 innings as he pitched the Cleveland Indians to a 4-3 victory.

Soccer's Cable TV Deal Riles Germany

By Robert J. McCartney
Washington Post Service
BONN — West Germany's national soccer federation approved Wednesday a landmark television deal despite widespread, bitter protests that the agreement threatens to deprive two-thirds of the nation of the ability to watch regular-season matches of the country's most popular sport.

PGA Tour Moves to Ban U-Grooved Irons

New York Times Service
DUBLIN, Ohio — The PGA Tour took a first step Tuesday to ban irons with U-shaped or square grooves and restrict its players to clubs with V-shaped grooves, the only modern ones used before 1984.

BASEBALL ROUNDUP

Expos 7, Padres 6: In Montreal, Hubie Brooks' RBI single with two out capped a three-run, 13th-inning rally against San Diego. The Padres had led four times since the ninth.

SCOREBOARD

BASEBALL

Table with 2 columns: Team, Score. Includes Atlanta Braves vs Cincinnati Reds, Boston Red Sox vs New York Yankees, etc.

TENNIS

French Open Results

Table with 2 columns: Player, Score. Includes Men's First Round, Men's Second Round, Women's First Round, etc.

TRANSITION

Table with 2 columns: Player, Team. Lists transfers between teams like New York Yankees, Los Angeles Dodgers, etc.

WOMEN

Table with 2 columns: Player, Team. Lists women's basketball players and their teams.

HOCKEY

Stanley Cup Finals

Table with 2 columns: Team, Pct., GS. Shows standings for Eastern and Western Divisions.

BASKETBALL

NBA Playoffs

Table with 2 columns: Team, Pct., GS. Shows playoff brackets for Eastern and Western Conferences.

GOAL TENDING

Table with 2 columns: Player, Goals. Lists goalkeepers and the number of goals they have prevented.

SOCCER

Table with 2 columns: Team, Pct., GS. Shows league standings for various soccer leagues.

Jordan Adds MVP to Awards

The Associated Press
NEW YORK — Michael Jordan, the only player in the history of the National Basketball Association to win the scoring title and be named defensive player of the season in the same year, Wednesday became the first player for the Chicago Bulls to be voted the league's most valuable player.

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